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Subsidiary Body for Scientific and Technological Advice
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Item 8(a) of the provisional agenda
Methodological issues under the Convention
Methodologies for the reporting of financial information by Parties included in Annex I to the Convention

Views on methodologies for the reporting of financial information referred to in decision 2/CP.17, paragraph 19

Submissions from Parties and observer organizations

1. The Conference of the Parties, at its twentieth session, in decision 11/CP.20, paragraph 2, invited Parties and observer organizations to submit to the secretariat, by 25 March 2015, views on the methodologies for the reporting of financial information for compilation into a miscellaneous document.

2. The secretariat has received six such submissions. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.[1]

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* The submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

[1] The submissions from Parties are also available at <www.unfccc.int/5900>, and the submissions from observer organizations at <www.unfccc.int/7482>.

FCCC/SBSTA/2015/MISC.3

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* This submission is supported by Albania, Bosnia and Herzegovina, Montenegro, Serbia, and the former Yugoslav Republic of Macedonia.

Paper no. 1: Ecuador

Submission from Ecuador for the 42nd Session of the Subsidiary Body for Scientific and Technological Advice SBSTA42 under the United Nations Framework Convention for Climate Change in response to paragraph 2 of decision 11/CP.20

1. Ecuador welcomes the opportunity to present its views on the matter of methodologies for the reporting of financial information by Annex I Parties to the Convention and the mandate that has been received by the COP17 on decision 2/CP.17, paragraph 19.
2. For Ecuador the objective of methodologies for the reporting of financial information by Annex I Parties, is to address the need for accurate accounting of the provision of funds from developed country parties to developing country parties in order to assess compliance with finance obligations for mitigation, adaptation, technology transfer and capacity building with a view to ensure robustness and transparency of the Financial Mechanism of the Convention
3. In this sense, it is Ecuador's understanding that these reporting guidelines are to be applied to all Annex I Parties, given their responsibility to prepare biennial reports and given that this is the context under which the decision to request the SBSTA to develop methodologies for reporting financial information was taken.
4. It is also Ecuador's opinion that the development of these methodologies, since COP17, has not been in charge of any other body, committee or agenda item under the UNFCCC, but that important work and discussions that have been undertaken by the Standing Committee on Finance, for example, are valuable inputs for the SBSTA to carry on with its work.
5. Furthermore, the development of these methodologies must address the gaps that have been identified both by Parties and the SCF in the current way in which financial information has been reported, including through the common tabular format adopted in COP18, which does not address financial information from sources other than public, from Parties other than Annex II Parties and fails to take into account considerations regarding the mobilization and leveraging of climate finance and the implications of a collective goal with regards to a robust system of MRV for support, which is also lacking in the UNFCCC framework.
6. The MRV system mentioned above, needs to be guided by the following principles:
    a) Measurement:
        i. Measurement shall address those funds exclusively aimed at enabling and supporting enhanced action on mitigation, adaptation, technology development and transfer, report drafting, and capacity-building for non-Annex I parties, from public, private, bilateral, multilateral and alternative sources.
        ii. With regards to funds provided for multiple purposes, only the share provided solely for climate change will be counted towards climate change finance.
        iii. Mobilization of funds through leverage and/or official development aid will be considered complementary and will not be counted as a part of climate finance.
        iv. Mobilization of funds in developed countries for administrative purposes in indirectly related to the provision of climate change funds towards developing countries will not be considered climate finance.
    b) Reporting:
        i. A Financial Support Registry must be established which will be universally accessible in character, in order to ensure inclusiveness and transparency to all Parties.
        ii. The origin, intermediaries and characteristics of funds, including funds from private, public, bilateral, multilateral and alternative sources, technology transfer and capacity building, must be reported by parties to the COP through Annex I national communications, additional information submitted from developed countries, additional financially-supported information submitted from developing countries, operating entities annual reports and others.
        iii. Reporting of climate-related support must follow a common, internationally agreed format, approved by the COP in order to allow for comparability, assessment and analysis by the Standing Committee on Finance and by all non-Annex I and Annex I parties. The format must include information on funded actions, amount effectively disbursed against obligations under

the Convention, amount of new and additional funds, sector, financial channels, time frame and instruments (including inter alia grants, concessional loans, capital and others).

c) Verification:
   i. The source and character of funds must allow for traceability on the part of non-Annex I parties.
   ii. Developing country parties that receive funding must be able to certify the funds received and report on the effective use of funds.

7. Furthermore, biennial reports from Annex II countries evidence a range of methodologies that use different considerations as to what extent and through which sources, climate finance has been mobilized. This is due to the fact that the UNFCCC has not provided with guidelines on the role of sources or even on what mobilization of climate finance entails from an attribution standpoint.
8. The development of guidelines, technical papers from the Secretariat and considerations from the SCF need to tackle specific issues like Parties not using the proper reporting categories, reporting of funding to multilateral institutions without distinction to climate change financing, no format regarding bilateral flows or private sector engagement or even timeframes or periods of time covered.
9. These issues are inexorably related to the international capacities, agreements and definitions that need to be in place for Parties to have clear understandings on the transparency, accuracy, efficiency, soundness, additionally, attribution and sources of climate finance, which will be aimed at aiding developed country Parties fulfill their commitment to mobilize 100 billion USD a year as of 2020.
10. To this end, the technical paper that the Secretariat has been mandated to prepare in paragraph 3, decision 11/CP.20 should focus on the divergences between existing international methodologies, especially those currently used by developed country Parties in their biennial reports and on possible convergences that could aid enhance comparability among them. It should also elaborate on the conclusions that the SCF has presented in their 2014 biennial assessment and overview of climate finance flows in the face of the methodologies to be summarized.
11. In addition, the joint in-session technical workshop that will be organized in response to paragraph 4, decision 11/CP.20 should aid Parties in understanding and identifying information gaps and inconsistencies both in the methodologies assessed by the secretariat in the technical paper mentioned above and determine the capacities, mechanisms and institutional requirements needed in order for the COP to account for financial flows of over 100 billion a year as of 2020, which should not be done with a delay of years in order to obtain the necessary information, as is current practice.
12. As a follow up to the conclusions presented by the SCF in its assessment and overview of climate finance flows, representatives of this committee should be asked to elaborate on the conclusions that this document has arrived to, including on the rationale behind its recommendation to invite a relevant body under the Convention to consider key findings of the BA with a view to improve the guidelines for reporting climate finance under the Convention and invite a relevant body of the Convention to develop common reporting methods for needs and climate finance received in the time for the next cycle of BURs, with consideration of developing countries experiences.
13. In Ecuador's view, the technical work that is pending for the development of the methodologies that decision 11/CP.20 addresses, includes the definition of the roles and types of sources, attribution and burden sharing between recipients, categories of activities to reported, sectors covered and channels used (like the Financial Mechanism of the Convention).

Paper no. 2: Latvia and the European Commission on behalf of the European Union and its member States

SUBMISSION BY LATVIA AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Subject: Views on methodologies for the reporting of financial information

In accordance with decision 11/CP.20, the European Union and its Member States submit the following views on the methodologies for the reporting of financial information, as referred to in decision 2/CP.17, paragraph 19, to be included in a miscellaneous document by the UNFCCC secretariat.

I. Relevant EU submissions

In previous submissions, the EU stressed that elaborating and harmonising the coverage of existing reporting systems is essential to enhance transparency of climate finance flows. These submissions also identify several areas of improvements in the current reporting methodologies and contain more detailed suggestions for improving transparency.

The submissions can be found on the UNFCCC submission portal (http://www4.unfccc.int/submissions/SitePages/sessions.aspx):

- Submission by the European Union and its Member States on 21th of February 2014, containing our views on the experiences with submitting the first biennial reports in accordance with decision 2/CP.17.
- Submission by the European Union and its Member States on 12th of May 2014, containing our views on appropriate methodologies and systems used to measure and track climate finance in accordance with decision 15/CP.18.
- Submissions by the European Union and its Member States on 2nd of September 2013 and on 29th of September 2014, on our Strategies and Approaches for mobilising scale-up climate finance towards the developed countries' goal to jointly mobilise USD 100 billion.

II. EU's views on methodologies for the reporting of financial information

EU's views on the reporting methodologies within the UNFCCC:

1. The EU regards transparency of support as a key element in order to facilitate trust among Parties and the effective allocation of climate finance. Past improvements to the MRV system under the UNFCCC, such as the Common Tabular Formats, have made important steps into this direction. The biennial reports have great potential to further enhance overall transparency of support provided to developing country Parties, for example by clarifying key concepts and parameters for reporting, and contributing to convergence, where appropriate, with other existing reporting systems, such as the OECD-DAC Creditor Reporting System (CRS). Such improvements should ensure the accountability, coherence and comparability of data within time and across Parties and to simplify and clarify reporting requirements to facilitate cost effective and efficient reporting that sets the rights incentives.

2. Further clarification on role and nature of the national communications (NC) and biennial reports (BR) is needed. Requesting the same information in the NC and the BR, including harmonizing the tables, or clearly restricting the communication of different kinds of information to either the NC or the BR, would enhance transparency and consistency of information, while also reducing the workload for the reporting services. The current differences in the reporting requirements and reporting tables between the BR and the NC may cause confusion during the review and result in inconsistent data sets.

EU's views on key terminology and common parameters:

3. Progress on the development of a common understanding on key terminology for reporting under the UNFCCC is needed to facilitate transparency and comparability. This includes, among others, the concept of climate finance as well as of mobilised private climate finance.

4. Accuracy and consistency of climate finance information can be strengthened by common reporting parameters, such as status of contributions (committed or disbursed), treatment of bilateral/multilateral flows, as well as more technical elements like exchange rates and – if necessary – price deflators. This information should be included in the reporting of Parties in both their BR and NC by building on and making reference to existing reporting systems.

5. The collection of this information should help for the discussions on definitions of key terms and concepts related to climate finance.

EU's views on reporting methodology for multilateral climate finance flows:

6. In order to be able to provide multilateral climate-specific information under UNFCCC for the common tabular format of the BR, additional information from multilateral organisations, such as the Multilateral Development Banks and the UN Agencies, will be necessary to have clearer data on how the general contributions by Parties were used by these multilateral organisations for climate support.

7. Therefore the expertise and data of multilateral organisations could be used by Parties to better fulfil the reporting requirements with respect to multilateral flows, under UNFCCC. In order to allow for a common approach and avoid double counting, the multilateral organisations should disclose which share of Parties' core/general contributions were used for climate relevant projects so that Parties can calculate the imputed climate finance of Parties instead of having Parties reporting on core/general contributions.

EU's views on reporting methodology for private financial flows:

8. The tracking of private climate finance is particularly complex due to issues surrounding data availability, the multitude of actors involved, diverse channels of finance and rapidly fluctuating activities. There are at present no adequate and shared systems for reporting mobilized private climate finance, hence the EU recognises the need to develop enhanced and common methodologies in this regard. The recently completed Biennial Assessment by the SCF provides an estimate of total private climate finance globally based on current available information and identifies possible further steps for estimating and collecting data on private climate finance.

9. A future common understanding of private climate finance should be simple and flexible in order to keep the administrative burden of reporting at a minimum, while identifying and avoiding as much as possible risks of double counting. It should also create the right incentives, encouraging countries to mobilise and use climate finance with the aim of promoting mitigation and/or adaptation in the most efficient way.

10. Without prejudice to future international agreements, the EU will, in relation to the committed goal by developed countries to mobilise jointly USD 100bn per year by 2020 from a wide variety of sources in the context of meaningful mitigation action and transparency on implementation, as a starting point, apply an understanding of private climate finance, which specifies that these financial flows are: 1) mobilised by public finance, or by a public intervention, including in the sphere of policy and regulatory reform, and 2) climate relevant in accordance with criteria used by relevant international organisations such as the OECD and Multilateral Development Banks.

11. The EU welcomes the on-going work coordinated by the OECD, under its Research Collaborative, in developing options for appropriate and shared methodologies for measuring and tracking mobilised private climate finance and enabling it to be better defined, recorded, monitored and reported. After focusing on the aim to strengthen the data and methodological framework during 2013-2014, the RC is now focusing on further developing and testing estimation methods for mobilized private climate finance within the context of pilot measurements.

EU's views on reporting methodology for capacity building and technology transfer:

12. The EU engages strongly in providing capacity building and technological support for developing countries, for example, through the Technology Mechanism's Climate Technology Centre and Network (CTCN). Comprehensive reporting on these topics is complex due to the integrated nature of these activities, projects and programmes.

13. The reporting methodologies with regard to the acceleration of technology transfer and associated capacity building activities should consider the cross-cutting nature of these types of support and the complexity to assess the wide scope of mitigation and adaptation technologies. It remains a complex activity to quantify the associated induced learning effects or innovation. It would not be useful to develop separate indicators for climate-relevant technology transfer and associated capacity building activities. It would be helpful to consider such activities as integrated part of a coherent reporting methodology for financial flows.

EU's views on how to improve methodologies for the reporting of financial information under the UNFCCC:

14. Developing and strengthening the methodologies and systems on reporting climate finance will be a gradual and incremental learning-by-doing process requiring cooperative action from all Parties and various institutions and data providers.

15. It should be ensured that the underlying approaches of the reporting methodologies can be applied by all relevant actors so that the resulting data are comparable and consistent among all contributing Parties and other providers of data, while supporting trust and credibility among Parties.

16. The reporting methodologies should make the best use of existing data systems and institutions, such as the OECD-DAC Creditor Reporting System (CRS) and the system put in place by the Multilateral Development Banks to track climate specific trends and progress in MDB's portfolios and by the International Development Finance Club (IDFC), to ensure feasibility and cost-effectiveness and to avoid undue duplication of work or development of parallel reporting systems. Reporting methodologies developed under the UNFCCC should therefore build upon or be compatible with existing reporting systems, allowing Parties to report consistently over time and should not introduce additional inconsistencies.

17. Strong cross-coordination and collaboration between all relevant bodies under the UNFCCC and outside the UNFCCC is required to make the best use of all existing expertise and knowledge. In this context, the Standing Committee on Finance has an important role to play within the UNFCCC. The EU welcomes the first biennial assessment and overview of climate finance flows and the SCF's work on MRV of climate finance. It should be recognized that the SCF has provided a comprehensive snapshot of climate finance flows on the basis of the available information and collected useful insights on different reporting methodologies and challenges. The key findings and recommendations made by the SCF, as contained in decision 6/CP.20, are a good basis for further elaborations on climate finance and the EU looks forward to see how the SCF will do its work on MRV of support beyond the BA in its 2015 work plan.

III. The bigger picture: how does it all fit together?

- The discussion under SBSTA on the methodologies for the reporting of financial information, in accordance with decision 2/CP.17, paragraph 19, is part of the bigger picture to ensure a robust and more harmonised reporting framework with a broad structure which enables the tracking and reporting of all climate finance flows. Both institutions within and outside the UNFCCC have a role to play in reaching this overall, more comprehensive goal.

- According to the EU and its Member States, there is still a need for further identification of the role of the different bodies under the UNFCCC in the reporting, and more generally in the MRV framework. Both Subsidiary Bodies (SBSTA and SBI), the Ad hoc Working Group on the Durban Platform for Enhanced Action (ADP), and the Standing Committee on Finance (SCF) are involved and the UNFCCC would benefit from a clear overview of the different issues under each body's consideration to search for synergies, avoid overlap and identify possible gaps. The technical in-session workshop under the auspices of the Subsidiary Body for Scientific and Technological Advice, the Subsidiary Body for Implementation and the Standing Committee on Finance during SB 42 provides the best opportunity to have clarity on the full work plan.

- Reporting is not a goal in itself, but a robust and harmonised reporting framework has the potential to enhance the efficiency and effectiveness of deployment and use of sources as it can help to gain a better understanding of the overall scale, the sectorial/geographical distribution and can uncover trends and gaps of financial resources available for low carbon and climate resilient development. To reach this goal, a comprehensive picture of climate finance is needed, which also includes information on finance received, as mentioned in the SCF Biennial Assessment. Hence, in parallel to strengthening reporting methodologies for the provision of climate finance, the EU believes that progress on reporting methodologies for support received should be discussed as well.

Paper no. 3: United States of America

Methodologies for the Reporting of Financial Information
Submission by the United States

The United States is pleased to present its views on how to improve the methodologies for reporting financial information under the Convention. This submission draws from and builds upon our previous submissions on the appropriate methodologies and systems used to measure and track climate finance[1] in May 2014 and our experience with the first Biennial Report[2] in September 2014.

Parties' biennial reports play a crucial role in facilitating transparency. The current system, as a result of improvements over time, enables Parties to provide an unprecedented level of transparency. For instance, the common tabular format (CTF) and system for reporting financial information that has been established for developed country Parties now presents a consistent snapshot of the supply-side of climate finance across providers. Nevertheless, the current system would benefit from improvement in three areas:

I. Methods for reporting by developed country Parties on additional "metadata," (e.g. there is no standardized way of collecting Party determined methods, definitions, and underlying assumptions relevant to their reporting);

II. Coverage of multilateral flows (e.g. there is a lack of clarity on climate finance channeled through multilateral development banks (MDBs)); and

III. Methods for reporting by developing country Parties (e.g. there is no standard format available for reporting on the receipt and use of finance).

The purpose of this submission is to highlight these areas for improvement and share our views on how they might be addressed.

I. Improving Reporting by Developed Country Parties:

The current Biennial Reporting guidelines highlight the importance of Parties providing clarity on key "metadata" elements that help other Parties better understand their reporting. These metadata elements broadly include i) how Parties define key terms and concepts, ii) what methodologies they use, and iii) what, if any, assumptions underpin their reporting. While the recently developed CTF helped to standardize reporting of financial data, it did not help to standardize the collection and reporting of these "metadata." As a result, Parties often provide such information in inconsistent formats through supplemental annexes or submissions, separate from the financial data itself.

Amending the CTF to provide standard reporting fields on additional elements would enable Parties to provide further clarity on some of the key metadata elements in the current Biennial Reporting guidelines, including their Party determined:

- Point-of-measurement used for the basis of reporting finance provided (e.g. "committed," "obligated," "disbursed");
- Definition and method used to report "mobilized private finance" (where Parties report such information);
- Criteria for defining finance as being "climate-specific;" and
- Methodology for reporting on core contributions to non-climate specific multilateral entities.

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[1] http://www4.unfccc.int/submissions/Lists/OSPSubmissionUpload/50_19_130462643391787262-20140603_us.pdf

[2] http://www4.unfccc.int/submissions/Lists/OSPSubmissionUpload/54_7_130562373889279941-U.S.%20Experience%20Preparing%20First%20Biennial%20Report%20Submission.pdf

Providing an avenue for Parties to communicate this information in a standard format would not only enhance transparency on the data being reported, but over time could also lead to possible harmonization of the Party-determined definitions and methods used in each Party's unique national reporting system. Greater clarity on the underlying definitions and methods used can also help to enhance the compatibility and comparability of Parties' datasets with other complementary reporting systems, such as those of the Organization for Economic Cooperation and Development, as well as increase their usability by civil society organizations.

II. Improving Coverage of Multilateral Flows

Although multilateral financial institutions, such as multilateral development banks (MDBs) and regional development banks (RDBs), play a key role in channeling climate finance to developing countries, their flows are poorly captured by the current reporting system. This is due to the fact that the current system attempts to capture MDB flows by requesting that Parties report on their overall ordinary capital resource contributions to both climate- and non-climate-specific multilateral entities. However, this approach has several technical limitations that result in an unclear and incomplete picture of MDB's efforts to finance climate action. This is primarily because these contributions are only one component of how MDBs finance their operations.

Since the initial development of the CTF and reporting guidelines, the measurement capabilities of these institutions have increased significantly. For instance, a group of seven MDBs now report jointly on their climate finance flows to developing countries on an annual basis. Although MDBs and other multilateral financial institutions cannot be required to report to the UNFCCC, Parties could invite these institutions to provide information. To facilitate this, Parties could request a relevant Convention body to collaborate with these institutions to discuss the development of an appropriate reporting avenue. Because many MDBs also manage external financial resources in addition to their own resources, reporting would have to be coordinated to avoid double counting across MDBs and Parties, who may also be reporting these contributions in their Biennial Reports. Such an approach would provide not only greater clarity, but a more complete picture of the role of multilateral financial institutions in channeling finance for climate activities in developing countries.

III. Improving Reporting by Developing Country Parties

At present, a finance provider only has information regarding its own outflows to a particular country, and has little understanding of the amount of finance a recipient country is receiving from all sources into a given sector. Although only twelve Biennial Update Reports have been submitted to date, they already provide some indication of the lack of clarity that persists on the receipt and use of finance. To help address this, a common reporting format could be developed and made available to developing countries in order to help facilitate and enhance consistency in their reporting. This was also a core recommendation by the Standing Committee on Finance in its first Biennial Assessment and Overview of Financial Flows released in 2014.

The creation of a standardized format could build off of existing expert recommendations and international experience, such as work done by the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.[3] This could usefully include information pertaining to a Party's receipt and use of finance, disaggregated where possible along the following dimensions:

- Source (e.g. multilateral sources, bilateral sources, other, etc.) and provider.
- Sector receiving finance (e.g. agriculture, water, energy, transportation) and end use of such finance (e.g. mitigation, adaptation).
- Type of finance (e.g. concessional, non-concessional) and instrument (e.g. loan, grant, equity).

A standard and aggregate picture of the thematic balance of inflows on the recipient end could play a crucial role in enhancing donor coordination efforts as well as assessing alignment between finance provided and nationally identified needs.

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[3] "CGE Training Materials – Biennial Update Reports" available at http://unfccc.int/files/national_reports/non-annex_i_natcom/training_material/methodological_documents/application/pdf/cross_cutting_issues_1_(29_october_2013)-presentation.pdf.

Paper no. 4: Organisation for Economic Co-operation and Development

OECD submission to the UNFCCC Standing Committee on Finance[1]

This submission is provided in response to the UNFCCC Standing Committee on Finance's (SCF) call for inputs from observer organisations on *"views on the methodologies for the reporting of financial information, as referred to in decision 2/CP.17, paragraph 19"*.

The Organisation for Economic Co-operation and Development (OECD) welcomes the opportunity to submit inputs based on its experience and expertise in measuring, reporting and analysing international climate finance flows. The OECD reiterates its interest and readiness to contribute to the UNFCCC's on-going work on the Measurement, Reporting and Verification (MRV) of support. The OECD Secretariat is open to discuss, partner and collaborate as appropriate, as well as to contribute to future expert meetings and discussion hosted by the SCF and UNFCCC. We also wish to highlight to the SCF and UNFCCC the range of relevant meetings and discussions hosted at the OECD in 2015 (see list in Annex 1 of this submission).

This submission serves as an update and elaboration of the July 2013 OECD Submission to the SCF and January 2014 OECD submission to the SCF. In particular this submission highlights key developments in modernising the Development Assistance Committee (DAC) development finance measurement framework (agreed at the December 2014 High Level Meeting), progress under the Joint ENVIRONET-WP-STAT Task Team on improving the OECD DAC Rio markers, environment and development finance statistics, as well as learnings to date from the OECD-led Research Collaborative on Tracking Private Climate Finance.

This submission provides information organised in two parts. The first part outlines the two main areas where the DAC can contribute towards methodologies for reporting on financial information, through: i) basic concepts and a statistical framework to track finance; and ii) climate definitions and methodologies to identify "climate adaptation" and "climate mitigation" activities and monitor and measure related flows. The second part outlines key messages from the Research Collaborative for estimating and reporting mobilised private climate finance in terms of both short term implementable options and longer-term action points for improved data and methods.

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[1] This submission provides input based on the OECD Secretariat's research, analysis and data. The information contained in this submission does not necessarily reflect the official views of the OECD or of the governments of its member countries.

Summary

Robust measurement and reporting frameworks are required to boost transparency, accountability, and to build trust. It is important to build on and use existing statistical systems to avoid divergent and duplicative reporting. Creating a framework that connects the reporting requirements of the OECD DAC, the UNFCCC, the Post-2015 financing for sustainable development will ensure consistency of data reported in these different fora, limit transaction costs and improve the quality of information provided.

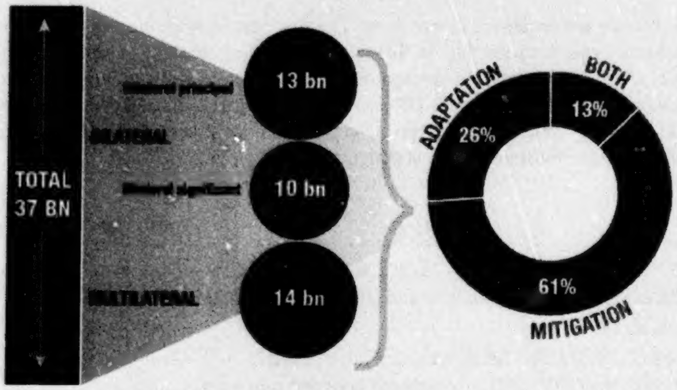
1. **The DAC statistical framework provides an international standard for tracking development finance, and can provide a basis to support more consistent, comparable and transparent financial data collection under the UNFCCC.**

   - Basic financial data collection concepts outlined in the DAC statistical reporting directives definitions and classifications (e.g. for commitments/disbursements/exchange rates) could be used as standardised methodologies to enhance reporting guidelines (i.e. in the Biennial Report Common Tabular Formats, Tables 7a,b, highlighted in blue in Figure 2).

   - The framework of the DAC system for integrating data across a range of channels, bilateral and multilateral, can be used to avoiding double-counting and to provide an example of how to reconcile provider and recipient perspectives when reporting on climate finance.

Figure 1. Climate-related development finance in 2013: Illustration of the DAC statistical framework integrating data across the bilateral and multilateral channel

Commitments, USD billion



Note: Aggregate figures reflect bilateral ODA and OOF flows from members of the OECD DAC and the UAE, identified as targeting climate change as either a principal or significant objective based on the "Rio markers", and climate-related multilateral flows from seven MDBs and the GEF

2. **The DAC methodologies for measuring and monitoring climate-related development finance provide an internationally recognised definition of climate change adaptation and mitigation and a foundation for more comparable and comprehensive reporting by Parties on climate finance to the UNFCCC. The methodologies avoid double-counting across bilateral and multilateral flows.**

   - The Rio marker methodology provides an approximate quantification of financial flows and a basis for reporting to the UNFCCC on bilateral climate-related ODA. Many members adjust the DAC data for their climate finance reporting. Through parties sharing methodological information on "coefficients" applied to scale down the volume of finance, or through the development of common reporting standards, the reporting practices under the UNFCCC could become more transparent and consistent.

   - The DAC system and data collection enables climate-related multilateral contributions to be estimated based in part on "imputed multilateral contributions". This approach provides a methodology for developed parties to estimate and report on their "climate-specific" multilateral contributions which in turn are channelled through multilateral development finance institutions. The DAC system in this way is unique in its design to avoid double-counting across bilateral and multilateral flows of climate-related development finance.

Figure 2: Areas where DAC definitions and classifications can provide methodologies for reporting on financial information (blue – standard financial concepts, green – climate-related concepts).

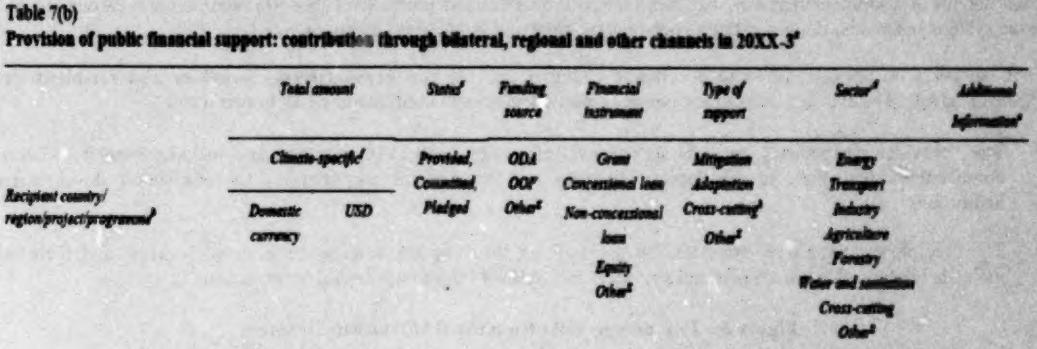


Table 7(b)

Provision of public financial support: contribution through bilateral, regional and other channels in 20XX-3[a]

	Total amount		*Status[f]*	*Funding source*	*Financial instrument*	*Type of support*	*Sector[d]*	*Additional information[e]*
	Climate-specific[f]							
	Domestic currency	*USD*						
Recipient country/ region/project/programme[b]			*Provided,* *Committed,* *Pledged*	*ODA* *OOF* *Other[g]*	*Grant* *Concessional loan* *Non-concessional loan* *Equity* *Other[g]*	*Mitigation* *Adaptation* *Cross-cutting[h]* *Other[g]*	*Energy* *Transport* *Industry* *Agriculture* *Forestry* *Water and sanitation* *Cross-cutting* *Other[g]*	

3. **The OECD, through both the Research Collaborative and the DAC, is working to develop and assess methodologies to estimate amounts of private climate finance mobilised by public interventions.** The results of this work, including findings and learnings from pilot estimates being conducted in 2015 (at sector, public finance institution and country level) could support future reporting to the UNFCCC.

Part I: OECD Development Assistance Committee Framework and System

1. OECD DAC development finance measurement framework and statistical system

The DAC development finance measurement framework and statistical system provides an international standard for measuring development finance:

- The DAC Creditor Reporting System (CRS) provides transparent activity-level information on development finance, integrating data across a range of channels, bilateral and multilateral, to provide both a measure of provider effort and flows to recipients, whilst avoiding double counting. The CRS provides an example of how to reconcile developed and developing country perspectives to development finance, which is relevant to reporting under the UNFCCCC on climate finance provided and received.
- Definitions and classifications outlined in the DAC statistical reporting directives underpin consistent, comparable and transparent data collection. These basic financial data collection concepts could be used to enhance and improve UNFCCC reporting guidelines for reporting on financial information.
- The modernisation of the DAC's development finance statistics – notably the modernisation of the ODA measure and broader measure of Total Official Support for Sustainable Development - will also apply to climate-related development finance flows. The modernised framework provides a structure for the categorisation, measurement and monitoring of climate finance and will cover a range of international sources and channels of official finance (concessional and non-concessional, bilateral and multilateral), including private finance mobilised.

1.1. *DAC Statistical System:*

As the UNFCCC considers its approach on MRV for both developed and developing country parties, and considers how to draw together and aggregate information from Biennial Reports (BRs) and Biennial Update Reports (BURs), the DAC framework can provide an example for how to reconcile developed and developing country reporting on climate finance.

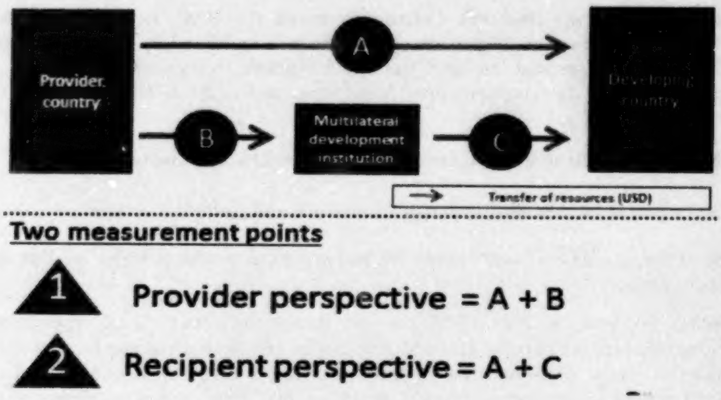
The DAC **Creditor Reporting System (CRS)** provides transparency through the collection and publication of detailed information on individual development finance activities. The integrated data system collects financial flows from a range of channels (bilateral and multilateral) tracking multiple flows, and tracking the status of implementation of activities, from commitments to disbursements. Consistency and robustness is ensured through the use of standardised definitions and bases of measurement across all flows. The DAC statistical framework and classifications are set in a way which avoids double-counting: bilateral donors report separately on their bilateral support (bilateral development finance including "multi-bi" or earmarked funding through multilaterals) and core support to multilateral organisations (multilateral development finance). The fact that both bilateral and multilateral data are recorded and reconciled in a same system ensures no double-counting between bilateral and multilateral commitments.

DAC statistics on resource flows to developing countries provide **two perspectives – provider and recipient** (see figures 3 and 4). These two measurement points capture bilateral and multilateral flows in two ways:

- The "provider perspective" presents statistics on efforts by each DAC member, and includes both its bilateral contributions that flow to developing countries and multilateral contributions to multilateral development institutions.

- The "recipient perspective" presents flows benefiting the recipient originating from all sources, and therefore includes bilateral flows from bilateral providers and outflows from multilateral organisations.

Figure 3: Two perspectives from the DAC statistical system

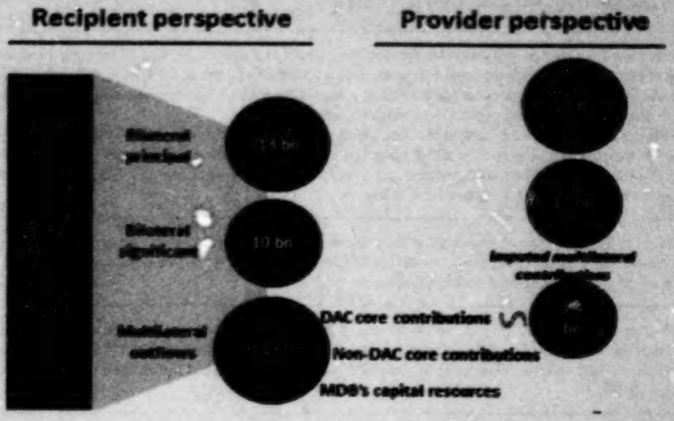

Provider country
A
B
Multilateral development institution
C
Developing country
Transfer of resources (USD)
Two measurement points
1
Provider perspective = A + B
2
Recipient perspective = A + C

For DAC statistics on climate-related development finance, the same two perspectives are available (see figure 4):

- Under the provider perspective, bilateral contributions targeting climate change are identified through Rio markers and multilateral contributions for climate are estimated through the calculation of "imputed multilateral contributions" (see section 2.3).

- Under the recipient perspective, Rio-marked bilateral flows collected from DAC members and other bilateral providers are presented together with multilateral climate finance outflows collected from the MDBs, the Adaptation Fund, Climate Investment Funds and the Global Environment Facility (see section 2.3).

Figure 4: DAC statistical system's two perspectives on climate-related development finance



1.2. *Definitions and classifications for financial data collection*

OECD Development Assistance Committee's measurement framework and statistical system definitions and classifications serve as an internationally-agreed reference point for development finance measurement methodologies. These could be drawn upon by the UNFCCC to enhance the guidelines for Biennial Reporting and for the review of Common Tabular Formats (CTFs) Tables 7a) and 7b) for reporting on climate finance, in order to support more robust and consistent reporting. Table 1 below provides a preliminary mapping of financial measurement concepts in the CTF and those in DAC statistics, which could be drawn on by parties to provide more transparency and consistency in reporting.

This OECD DAC statistical system is based on standardised definitions and classifications, providing rules and a base of measurement for financial data collection and reporting. This enables transparent, robust and consistent data collection across members and overtime, as well as facilitating statistical analysis and a clearer interpretation of the data.

The OECD DAC Statistical Reporting Directives (OECD 2013a,b,c) consolidate the DAC reporting rules and requirements and outline the numerous definitions and classifications, for example for commitments, disbursements, financial instruments, exchange rates and sector codes (see Table 2), points of measurement (chapter 3, OECD 2013a).

Table 1: CTF parameters and OECD DAC definitions and classifications

CTF Table 7a and 7b parameters	*OECD DAC definitions and classifications*	
Status: Pledged/Committed/Provided	Committed/Disbursed	See Table 2
Funding Source: ODA/OOF/Other	ODA/OOF	See Table 2 & section 1.4
Financial Instrument: Grant/Concessional Loan/ Non-Concessional loan/Equity/Other	Grant/Concessional Loan/Non-Concessional loan/Equity/Other	See Table 2 & section 1.4/1.55
Recipient Country/Region/ Project/Programme	ODA recipients list and regions	See Table 2
Additional details: project description and implementing agency	Activity-level information captured in DAC CRS, identifying project title, short and long descriptions etc. (and CRS ID)	
	Delivery channels	See Table 2
Sector: Energy/Transport/Industry/Agriculture/ Forestry/Water and Sanitation/Cross-cutting/Other	Sector (purpose) codes	See Table 2
Amounts: Domestic currency /USD	USD Exchange rates	See Table 2

Term	*Table 2: Definitions in DAC Statistical Reporting Directives*[2]	*Para ref*
Commitment	A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency. Donors unable to comply with this definition should explain the definition that they use. Commitments are considered to be made at the date a loan or grant agreement is signed or the obligation is otherwise made known to the recipient (e.g. in the case of budgetary allocations to overseas territories, the final vote of the budget should be taken as the date of commitment). For certain special expenditures, e.g. humanitarian aid, the date of disbursement may be taken as the date of commitment.	90, 91
Disbursement	A disbursement is the placement of resources at the disposal of a recipient country or agency, or in the case of internal development-related expenditures, the outlay of funds by the official sector. Disbursement may be measured in various ways at different stages of the transfer process.	94
Financial instruments	Current definitions in paragraphs 22 to 33 of the reporting directives. The taxonomy of financial instruments is being revised and will be incorporated in the new reporting directives, available at the end 2015. See revised definitions (awaiting members' approval) at "Revisions to Chapter 1 – Section II. Financial instruments (types of finance)", page 7 of OECD, 2015a	
Currency and exchange rates	The basis of measurement in DAC statistics is the US dollar. Data reported in the CRS in other currencies are converted to dollars by the Secretariat. The list of exchange rates is published at http://www.oecd.org/dac/stats/data.htm (under Data Tables, source: OECD ECO). The rates are an average of the yearly exchange rates and are published once a year. See also Deflator.	312
Sector clarifications (purpose codes)	The purpose/sector of destination of a bilateral contribution should be selected by answering the question **"which specific area of the recipient's economic or social structure is the transfer intended to foster"**. The sector classification does not refer to the type of goods or services provided by the donor. See link for the list of codes: www.oecd.org/dac/stats/purposecodessectorclassification.htm There are 27 main categories and 197 subcodes, including climate-relevant sectors such as energy, water, transport and, environmental policy, etc.	
Beneficiary countries	The DAC list of ODA Recipients shows developing countries and territories eligible for receiving Official Development Assistance (ODA). The list is designed for statistical purposes, not as guidance for development finance allocations, and is revised by the DAC every 3 years.	
Delivery channel	The channel of delivery is the first implementing partner. It is the entity that has implementing responsibility over the funds and is normally linked to the extending agency by a contract or other binding agreement, and is directly accountable to it. Where several levels of implementation are involved (e.g. when the extending agency hires a national implementer which in turn may hire a local implementer), the first level of implementation as the channel of delivery should be reported. Where activities have several implementers, the principal implementer should be reported (e.g. the entity receiving the most funding). In the case of loans, the borrower should be reported as the channel of delivery (i.e. the first entity outside the donor country that receives the funds).[See Annex 9 of OECD, 2013b for the list of the major channels of delivery. See also OECD, 2015a, section D (page 10) for a proposal to include additional channel codes for the private sector.]	
Bilateral/ multilateral contributions	**Bilateral** contributions are flows from official (government) sources directly to sources in the recipient country. **Multilateral contributions** are core contributions from official (government) sources to multilateral agencies where it is then used to fund the multilateral agencies' own programmes. In some cases, a donor can contract with a multilateral agency to deliver a programme or project on its behalf in a recipient country. Such cases are typically counted as bilateral flows and are often referred to as Bi/Multi.	

1.3. *Modernisation of the OECD DAC development finance framework*

To support the UN's work on a financial framework for post-2015 goals the OECD DAC has carefully examined how to modernise the DAC statistical system, measures and standards to ensure the integrity and comparability of data on development finance and create the right incentive mechanisms for effective resource mobilisation. Recent decisions under the DAC will modernise ODA measurement, develop a broader measure of Total Official Support for Sustainable

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[2] OECD (2013a,b,c).

Development (TOSSD) and measure the amounts of private finance mobilised through official development finance interventions (see section 1.4).

Key features of the modernised OECD DAC development finance framework are:[3]

- **The treatment of loan concessionality**: modernising the reporting of concessional loans to make it easier to compare the effort involved with that in providing grants, by introducing a grant equivalent system for the purpose of calculating ODA figures. Under the new reporting system, ODA credit counted and reported will be higher for a grant than for a loan, and concessionality will be assessed based on differentiated discount rates for lower and middle income countries (see Annex 2 of this submission).
- **The development of a new statistical measure – Total Official Support for Sustainable Development** (working title, TOSSD): To recognise and further incentivise the efforts that are being made above and beyond ODA, agreement to continue to develop a new statistical measure, to complement, not replace, the ODA measure. It will potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms. The ultimate parameters of the TOSSD measure will be finalised once the post-2015 agenda has been agreed.

TOSSD and climate-related flows

Given that the international target for climate finance (USD 100 billion by 2020) gives no reference as to the concessionality of climate finance flows, going forward (from 2018) the appropriate metric to use in the DAC system for monitoring climate-related development finance will likely be a TOSSD-like measure (and not the modernised ODA measure). Quantitative analyses can be carried out to compare across these notably to look at commitments, gross disbursements or net disbursements as required.

The modernisation of the DAC statistical framework and decisions on ODA and TOSSD will apply to climate-related development finance flows. This modernised framework provides a structure for categorisation, measurement and monitoring of climate finance, covering a full range of international sources, types and channels of official finance (concessional and non-concessional, bilateral and multilateral), including private finance mobilized through official development finance interventions.

One of the main features of the modernised DAC statistical framework is that the **headline Official Development Assistance (ODA) measure** will reflect the **effort** of the official sector in providing development finance, while the headline measure for financial **flows** themselves will be **TOSSD**. Within TOSSD, it will be possible to separately identify ODA flows. Building on the existing statistical system that collects and publishes detailed activity-level data on ODA, the modernised DAC statistical framework will improve data on broader development finance, tracking multiple flows in an integrated system whilst avoiding double-counting. Consistency and robustness are ensured through standardised definitions and bases of measurement across all flows.

One characteristic of these developments is that they could help to capture **climate-related flows that go beyond the scope of ODA to include non-concessional financing flows and amounts mobilised from the private sector by official development finance.** This could provide a solid foundation and monitoring system from which future UNFCCC decisions on what counts towards the USD 100bn climate finance goal could be anchored. This is an extension of current practices, where many developed countries draw on but do not report Rio marker data directly (see section 2.2). Such an approach can help avoid un-necessary duplication and divergences in reporting requirements from across the DAC and UNFCCC.

Figure 5 below illustrates the current system, the modernised ODA measure and the proposed TOSSD measure (as currently proposed):

- The distinction between the current ODA cash-flow approach and the new headline grant equivalent ODA measure, which will include the grant equivalent of loans disbursed, reported year by year.

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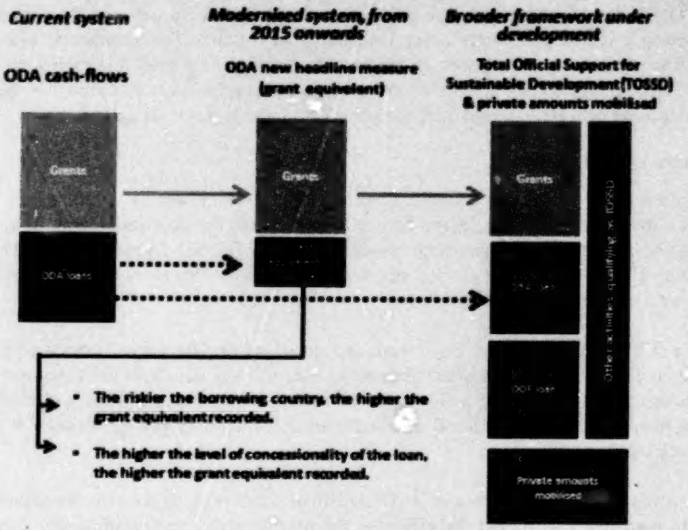
[3] For further information visit: www.oecd.org/dac/dac-hlm.htm

- **TOSSD will particularly enhance tracking of resource inflows to developing countries (cross-border flows, of particular importance for analyses of development finance from the recipient perspective). It will account for the face value of amounts disbursed on ODA loans and will also include disbursements for non-concessional loans.**
- **The broadening of the coverage of the DAC statistical system to including the amounts of private finance mobilised by official development finance. Discussions are still ongoing on whether this will be included in TOSSD or a separate measure. In any case, the data will be collected in the reporting system, and can be made subject to reporting on the Rio markers, including climate change. This would be particularly relevant for the monitoring of the USD 100 bn commitment which includes both public and private finance.**

Figure 5. The modernisation of the DAC statistical framework, ODA and beyond


Current system
Modernised system, from 2015 onwards
Broader framework under development
ODA cash-flows
ODA new headline measure (grant equivalent)
Total Official Support for Sustainable Development (TOSSD) & private amounts mobilised
Grants
ODA loans
Grants
Grants
OOF loan
Other activities qualifying as TOSSD
The riskier the borrowing country, the higher the grant equivalent recorded.
The higher the level of concessionality of the loan, the higher the grant equivalent recorded.
Private amounts mobilised

1.4. *Mobilised private finance*

Work to measure the amounts mobilised from the private sector by official sector mechanisms is a defining feature of current efforts to modernise DAC statistics in preparation for the post-2015 agenda. At their December 2014 High Level Meeting, DAC members recognised the importance of guarantees and other private-sector instruments to unlock private investment and help mobilise additional resources for sustainable development. They also supported collection of data on amounts mobilised and continued work in this area to establish a first international standard for measuring the volume of private finance mobilised by official interventions.

For work in this area, the DAC is following an approach whereby the methodology is tailored to the specificities of each instrument. Recognising the conceptual difficulties in defining causality as well as the project's "perimeter" in the case of grants and loans, the DAC first developed methodologies for private-sector instruments where the causality was relatively straightforward, *i.e.* **guarantee schemes, syndicated loans** and **shares in collective investment vehicles.** The methodologies were developed in 2013-14 based on the results of two surveys,[4] and a series of consultations with experts from bilateral and multilateral development finance institutions. In order to avoid double counting, the proposed methodologies strive to follow, whenever possible, conservative (in terms of causality), fair (pro-rated attribution) and pragmatic (point of measurement and data availability) principles.

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[4] Two surveys on the mobilisation effect of official development finance interventions: Survey on guarantees and Survey on mobilisation

DAC members have agreed in principle on the approach, and in 2015, the DAC will revise its Statistical Reporting Directives to commence a regular data collection on amounts mobilised. **The Rio markers will be used in this context to identify private climate-related finance mobilised by official interventions.** Further work will be undertaken to elaborate methodologies for other instruments, such as equity participations, mezzanine finance and credit lines. Grants and loans will also be studied so that methods can be proposed in the near future.

Findings from this workstream are shared with the Research Collaborative on tracking private climate finance (see Part II)

2. Identification and measurement of climate-related development finance in DAC statistics

The OECD DAC has been measuring and monitoring official development finance targeting the objectives of the Rio Conventions, including climate change, providing a methodology for identifying and reporting on climate-related development finance flows:

- The Rio markers provide an internationally recognised definition of climate change adaptation and mitigation – enabling the identification of projects which target climate change objectives.
- The Rio marker methodology provides an approximate quantification of financial flows. A large number of members draw on this data as the basis for their reporting to the UNFCCC on bilateral climate-related ODA, but many make adjustments and only report a share of the climate-related development finance reported to the DAC. Reporting practices under the UNFCCC could be more transparent through the provision of methodological information by parties, and more consistent through the development of common standards.
- The DAC system and data collection enables climate-related multilateral flows to be measured and reported from both a recipient perspective, based on total outflows from the MDBs, and from a provider perspective, based on "imputed multilateral contributions". This approach provides a methodology for developed parties to estimate and report on their "climate-specific" multilateral contributions.
- The DAC is working with its members, the MDBs, partner countries and other stakeholders to fine tune the Rio marker definitions, explore the basis for more quantified reporting, and estimate imputed multilateral contributions, to support parties in their reporting to the UNFCCC.

2.1. *"Rio marker" Definitions and Measurement Methodologies*

The Rio marker methodology captures granular information on every development finance activity that targets climate change mitigation (where reporting is mandatory, since 2007) and climate change adaptation (since 2010). Every activity reported is screened and marked as either (i) targeting the Conventions as a '*principal*' objective or a '*significant*' objective, or (ii) not targeting the objective.

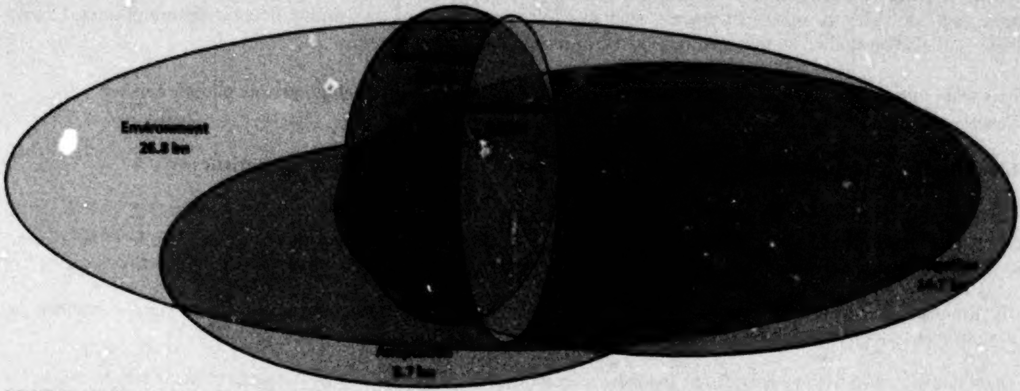
The headline definitions are internationally recognised and drawn on by many other organisations and parties in their reporting on climate finance (i.e. CPI, IDFC and MDBs), see information box 2.

A key feature of the Rio marker system is that it recognises that finance may target more than one policy objective. The system records projects that target both adaptation and mitigation objectives, simultaneously, allowing multiple objectives to be tracked, whilst identifying where objectives overlap to ensure finance is not counted twice (referred to as "double-counted").

The system also records projects that target climate and other environmental objectives (e.g. biodiversity and desertification) recognising that these concerns are intertwined. As such, "green" external development finance is often designed and delivered to achieve multiple environmental objectives (Chart 5). In 2011-13, 64% of green development finance targeted at least two environmental objectives simultaneously.

Figure 6. The multiple objectives of environmental ODA, 2011-13

Three-year annual average, bilateral commitments, USD billion, constant 2012 prices



OECD DAC Creditor Reporting System, March 2015

Information Box 2: Climate Change Rio marker definitions and eligibility criteria

Definition of climate change mitigation: An activity should be classified as climate-change mitigation related (score Principal or Significant) if: It contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

Criteria for eligibility: The activity contributes to a) the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or b) the protection and/or enhancement of GHG sinks and reservoirs; or c) the integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or d) developing countries' efforts to meet their obligations under the Convention. The activity will score "principal objective" if it directly and explicitly aims to achieve one or more of the above four criteria.

Definition of climate change adaptation: An activity should be classified as adaptation-related (score Principal or Significant) if: It intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.

Criteria for eligibility: An activity is eligible for the climate change adaptation marker if: a) the climate change adaptation objective is explicitly indicated in the activity documentation; and b) the activity contains specific measures targeting the definition above. Carrying out a climate change adaptation analysis, either separately or as an integral part of agencies' standard procedures, facilitates this approach.

Source: OECD 2013a.

Reporting on the Rio markers is systematic and comprehensive across all 29 DAC members[5] for ODA and Rio markers are now also being applied to non-export credit Other Official Flows (i.e. non-concessional official development finance).

The OECD DAC is committed to further develop the Rio marker methodology and system, working closely with the international community, in particular to improve the relevance, quality, coverage and use of the data. To achieve this,

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[5] OECD DAC members reporting against Rio markers: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, EU Institutions, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovenia, Slovak Republic, Spain, Sweden, Switzerland, Poland, United Kingdom and United States. In addition, the UAE also report to the as a participant to the DAC.

OECD DAC members established a Joint Task Team of the DAC Network on Environment and Development Co-operation (ENVIRONET) and Working Party on Development Finance Statistics (WP-STAT).

One key work area of the Task Team is on "fine tuning" the Rio marker definitions, eligibility criteria and guidance to support the application and improve the quality of the Rio marker data. Revisions to the reporting directives are expected in 2015/6. The OECD and its members are working in collaboration with a wide range of stakeholders including relevant international organisations in taking this work forward, in order to support the international community to enhance common reporting approaches. A sub-group of the Task team met on the 17th March to discuss proposals to refine Rio markers' definitions and possibilities to draw from other existing methodologies developed by the MDBs and IDFC, and from internal guidance used by members. The next discussion will be held in May (at the plenary Task Team meeting.

2.2. *OECD DAC members reporting to Rio conventions drawing on Rio marker data*

The DAC, under the Joint ENVIRONET-WP-STAT Task Team, is working to improve the transparency of its members' approaches and is exploring the evidence base to support more quantified reporting to the Rio conventions.
Originally Rio markers were designed to track the mainstreaming of climate change considerations into the development co-operation practices and portfolios, and to help members in their preparation of National Communications to the Rio Conventions. The Rio markers are descriptive rather than strictly quantitative, identifying activities targeting climate change as a *principal* or *significant* objective, allowing for an approximate quantification of financial flows.

Climate-related development finance is often broader than climate finance reported to the UNFCCC towards the 100bn USD commitment. In reporting towards the quantified UNFCCC climate finance goals, an OECD DAC survey identified that a large number of members draw on Rio markers to provide the basis for their reporting to the UNFCCC on bilateral climate-related ODA but that in recognition of the limitations of the Rio marker methodology, many members adjust these data for the purpose of reporting towards more quantified goals. As such, reporting is often based on, but may not be directly comparable to Rio marker data.

In particular different methodologies are applied by parties to account only for a certain share of climate-related development finance, often they apply "coefficients" to adjust and scale down the volume of finance to report to the UNFCCC. As illustrated in Figure 7 below, the scale of adjustments differs across members – and adjustments are particularly made to scale down the share of finance marked as targeting climate change as a *significant* objective. These shares range across members from 30-100% and there is no common reporting standard and limited transparency in these practices (Ockenden and Gaveau, 2015, *forthcoming*).

Reporting to the UNFCCC could be made more transparent through parties providing details on the methodological approach they have taken–for example through notifying methodological information on the use of Rio markers and the coefficient used for reporting on financial resources flows, for example, as required under the Convention on Biological Diversity (CBD)[6].

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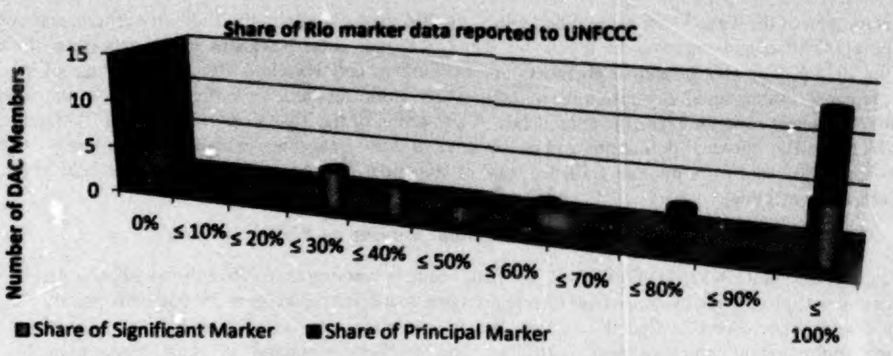
[6] Under the revised reporting guidelines to the CBD, parties are required to provide methodological information, including on the "methodology used to identify official resource flows: ( ) OECD DAC 'Rio markers'; ( ), other (please specify): ( ), As applicable, coefficient used for resource flows indirectly related to biodiversity, when calculating total numbers: ( )%" (CBD, 2014).

Figure 7. Frequency in the use of coefficients across OECD DAC members to adjust down Climate-related development finance data for the purposes of reporting to the UNFCCC



Note: The chart illustrates that 12 members apply a 100% share to the Rio marker data scored principal and 6 do so for the score significant.

Source: Ockenden and Gaveau, 2015, *forthcoming*.

2.3. *Two perspectives for reporting on multilateral climate-related development finance*

For reporting on multilateral flows of climate-related development finance, issues of attribution and avoidance of double-counting across parties and bilateral and multilateral flows is crucial to ensuring a robust and accurate picture of total public climate finance flows. Consistent methodological approaches and integrated tracking systems, such as the DAC system, may offer solutions for reporting.

Inflows to multilaterals are counted in DAC statistics on climate-related flows as follows:

i. contributions from donors channelled through multilateral organisations and earmarked for climate purposes are included in bilateral figures, where they are Rio-marked (bi-multi flows).
ii. contributions to multilateral climate funds entirely dedicated to climate and included on the List of ODA-eligible international organisations (Annex 2 of the DAC Statistical Reporting Directives), are counted in their totality as multilateral contributions for climate purposes: CIFs (Clean Technology Fund and Strategic Climate Fund), GEF LDCF and SCCF, Adaptation Fund, UNFCCC[7] where and Montreal Protocol.
iii. core contributions to institutions (e.g. WB) partly active in the climate field are included in multilateral ODA but not Rio-marked, instead, "imputed multilateral contributions" are calculated and attributed back to donors.

In DAC statistics, multilateral data can be analysed and measured from two perspectives: the provider and the recipient perspectives (see section 1.1). Total outflows from the multilateral organisations can provide **a recipient perspective,** where in collaboration with the multilateral development banks (MDBs) and other organisations (GEF, CIFs, Adaptation Fund), climate-related development finance data is now collected and integrated into DAC statistics reconciling bilateral and multilateral finance[8] such that multilateral climate-related external development finance to developing countries reached USD 15.2 billion in 2013 (as recorded in OECD DAC statistics)[9].

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[7] An ODA coefficient applies to UNFCCC whereby donors can only report 61% of their contribution as ODA.

[8] From seven MDBs: the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the European Investment Bank; the Inter-American Development Bank; the International Finance Corporation and the World Bank – and in addition, statistics from the Global Environment Facility, Climate Investment Funds and the Adaptation Fund.

[9] OECD DAC Statistics (2014), update forthcoming.

"Imputed multilateral contributions" can be used to **estimate provider effort** taking into account un-earmarked contributions flowing through multilateral organisations which may support climate change objectives.

This is a two-step estimation:
1) estimating the share of the activities undertaken by the multilateral organisation (multilateral outflows) that aim to address climate change[10],
2) applying this share to the provider's ODA core contribution (multilateral core contributions), to estimate the climate-related proportion.

Information Box 3: Formula for imputed multilateral contribution

[Country X's multilateral ODA contribution to organisation Y]
multiplied by
[the organisation Y's share of portfolio addressing climate]

The data for multilateral ODA contributions are derived from members' reporting to the CRS/DAC.

Source: OECD DAC methodology www.oecd.org/dac/stats/oecdmethodologyforcalculatingimputedmultilateraloda.htm

These imputed multilateral contributions reflect an estimate of providers' climate-related ODA "inflows" to multilateral organisations in a given year. As such, these estimates do not add up to multilateral organisations' outflows, nor do they attribute the activities funded through the MDBs ordinary capital resources (including funds they raise from the international capital market).

The DAC system of imputed multilateral contributions provides a methodology for developed parties to estimate and report on their "climate-specific" multilateral contributions, and could be used to as a reporting methodology to add to CTF Tables 7a. In 2013, the climate-related share of DAC members' multilateral contributions to ODA-eligible international organisations is estimated at USD 3.4 billion, based on core contributions to the African Development Fund, Asian Development Fund, Inter-American Development Bank Special Fund, International Development Association, Global Environment Facility and its climate funds, the Climate Investment Funds, the UNFCCC, the Adaptation Fund and the Montreal Protocol.

Information Box 4: Example of imputed multilateral contribution estimate

How much of the core contribution from country X to multilateral organization Y – a multi-purpose organisation - is climate-related?

We estimate the share of outflows targeting climate change: assume 30% of the resources reported by organization Y (multilateral outflows) were identified as being climate-related. As a second step, we look at country's X core ODA contribution to organisation Y (assume USD 100 million), and multiply this contribution to the share of organisation Y's outflows targeting climate change (30%).

The result is country X's imputed multilateral contribution to climate– or in other words, country X's contribution to climate through organisation Y's activities.

Country X contribution to climate through organisation Y's activities = share of organisation Y's climate-related activities multiplied by country X's contribution to organisation Y = 30% x USD 100 million = USD 30 million

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[10] Multilateral organisations are classified as either climate-specific or multi-purpose organisations. Core contributions to climate specific funds are counted in their totality as climate-related flows; thus the proportion calculated in Step 1 would be 100%. On the contrary, only part of the core contributions to multi-purpose organisations is recorded as climate-related. This is because not all the activities by the organisation are climate-friendly.

Part II: Research Collaborative on Tracking Private Climate Finance

Gaps remain in the ongoing effort to track private climate flows and estimate their mobilisation by public interventions in the context of assessing both progress towards meeting the USD 100 billion commitment, and the pace of the transition to low-carbon, climate-resilient development more broadly. On the one hand, current data coverage on private finance for climate change mitigation-related activities other than renewable energy (e.g. transport, water, waste, forestry and land use) is very limited, while the data gap for adaptation is even more acute. On the other hand, methods to estimate mobilisation have been inconsistent and need to be further developed (Caruso and Ellis, 2013).

To start addressing these issues, the OECD-led multi-stakeholder Research Collaborative on Tracking Private Climate Finance is exploring options for the development of improved methodologies both for measuring private climate finance flows to, between and in developing counties, and for determining those private flows mobilised by developed countries' public interventions. Learnings from work conducted to date can help inform decisions under the UNFCCC on an appropriate reporting scope and level (individual country versus collective) for mobilised private climate finance.

Current status

An initial review and assessment of commercial and public databases that report financial data further underlined the considerable challenges in terms of data availability and quality on key financial transactions (Caruso and Jachnik, 2014). Despite these limitations, significant progress has been made in terms of exploring different approaches and options towards estimating mobilised private climate finance. These range from developing methods for future *bottom-up data collection and reporting* in the DAC statistical system (see Part I Section 1.4 of this submission) to testing the possibility to derive *top-down estimates* using econometric techniques (Haščič et al., 2015). The latter analysis illustrates that a range and combination of public finance and policy interventions can mobilise and catalyse private climate finance, highlighting in particular the crucial importance of effective domestic policies and enabling conditions in recipient countries. This point rarely, if ever, features in analyses and reporting of mobilisation or leverage, which typically only capture the mobilisation effect of public finance.

Based on findings to date on approaches to estimating mobilisation and on the availability of underlying data, the Research Collaborative developed a four-stage framework of key decision points towards estimating mobilised private climate finance. Methodological options to address these decision points have been assessed based on four criteria: *accuracy, incentives provided, practicality* and *standardisation potential* (Jachnik, Caruso and Srivastava, 2015).

Conclusions drawn suggest that adopting different approaches in the short versus the longer term can offer a way to progressively work toward aligning and balancing two overarching priorities:

- Measure and report progress towards the fulfilment of the USD 100 billion commitment in a transparent, accurate and practical way; and
- Assess mobilisation more broadly as a means to increase incentives for and efficiency of public interventions to mobilise and scale-up private finance for climate activities.

Short term options for estimating and reporting mobilised private climate finance

Making partial estimates and reporting of mobilisation in the short term involves implementing options that are practical and easier to standardise. Several principles emerge in considering such options:

- *Provide transparency on key definitions and methods* in order to build trust and facilitate comparison of amounts of private finance reported as mobilised.
- *Use options that minimise double counting across entities/countries,* in particular, where multiple public interventions are involved in supporting the same LCR activity.
- *Consider collective reporting of mobilised private climate finance*, which could complement without necessarily replacing existing UNFCCC reporting requirements and guidance.
- *Tailor approaches* by using differentiated methods for addressing decision points based on current data availability, the size of the transaction and the type of financial instrument.

- *Conduct pilot estimates of mobilisation based on available data and existing definitions* to test and gain practical experience of different methodological options and issues.

Pilot studies should openly acknowledge shortcomings when reporting estimated amounts of mobilised private climate finance where the selection of short term options might undermine the other two criteria (accuracy and incentives).

Longer-term recommended actions towards improved data and methods

In contrast to the short-term focus on practicality and standardisation, working on the following longer-term improvements will allow methods and resulting estimates to, over time, perform better against the other two evaluation criteria (accuracy, incentives) as well:

- *Converge on defining core concepts* to enable greater comparability of estimates of mobilised private climate finance and the development of more standardised methodologies for data collection and aggregation across public entities.
- *Build data systems for more comprehensive data monitoring and reporting on private climate finance to and in developing countries*: This will in particular require increased efforts by public finance institutions to measure private co-financing, both for the purposes of their individual reporting and to feed into international reporting systems such as the OECD DAC.
- *Increase communication between the development and climate finance communities* to foster synergies on methods and data collection efforts, which is particularly relevant in the context of the post-2015 financing for development agenda.
- *Design the architecture of a system for reporting private climate finance to the UNFCCC* based on future discussions to decide on the scale and level of standardisation needed.
- *Increase the depth of information reported:* If decision-makers desire increased granularity (and thereby more transparency) in reporting than at present, additional resources will be needed to improve or create national and international tracking systems.
- *Increase the breadth of both developed and developing country public interventions considered when estimating mobilisation of long-term climate finance* keeping in mind the value of estimating mobilisation more broadly to help better understand the drivers of private finance, and thereby more effectively shift investments at scale to LCR activities.

Research Collaborative next steps in 2015

The Research Collaborative and collaborating organisations are continuing work to further develop and test estimation methods in the context of pilot measurements of mobilised private climate finance. These pilots are being undertaken by the OECD at the level of sectors (renewable energy) and specific public finance instruments (see Part I Section 1.4 of this submission), as well as by public development finance institutions (multilateral, bilateral) and a number of countries. The Research Collaborative intends to weave together findings across these initiatives to promote synergies, methodological convergence and transparency.

Annex 1: OECD points of contact and relevant meetings in 2015

OECD Points of Contact & Home Pages

The OECD is happy to provide information on progress in these and its other climate policy-related activities. We have indicated contacts on each work area below to facilitate future communication.

DAC statistics and climate-related development finance

Stephanie Ockenden (stephanie.ockenden@oecd.org)

Valérie Gaveau (valerie.gaveau@oecd.org)

www.oecd.org/dac/stats/rioconventions.htm

Research collaborative on tracking private climate finance

Raphaël Jachnik (raphael.jachnik@oecd.org)

www.oecd.org/env/researchcollaborative

Relevant OECD meetings in 2015

16 March:	Research Collaborative on Tracking Private Climate Finance workshop
17 March:	Joint ENVIRONET and WP-STAT Task Team Small Working Group meeting
17-18 March:	Climate Change Expert Group (CCXG) Global Forum
May/Jun (tbc):	WP-STAT meeting
11 May:	Joint ENVIRONET and WP-STAT Workshop on recipient perspectives for tracking climate finance
12 May:	Joint ENVIRONET and WP-STAT Task Team Expert Meeting
7-8 Sept.:	Climate Change Expert Group (CCXG) Global Forum
9 Sept.:	Research Collaborative on Tracking Private Climate Finance workshop
Sept/October (tbc):	Joint ENVIRONET and WP-STAT Task Team Expert Meeting

Annex 2: Background on the treatment of concessional loans in ODA

Agreement at the DAC High Level Meeting in December 2014
www.oecd.org/dac/stats/documentupload/ODA%20Before%20and%20After.pdf

WHY MODERNISE ODA? While most ODA continues to be provided as grants, concessional loans provided to developing countries by bilateral and multilateral donors are an important and enduring feature of the development finance landscape. They will continue to play a key role in mobilising resources in support of the post-2015 SDGs, including in "blended finance" packages. The "concessional in character" criterion – which determined the extent to which loans can be scored as ODA – was open to interpretation and resulted in inconsistent reporting across DAC members. All stakeholders agreed that clarification was needed.

A FAIRER PICTURE OF PROVIDER EFFORT Important improvements have been made to the system. Whereas in the past both grants and loans were included in ODA in their full face value, now only grants and the 'grant portion' of ODA loans are counted in ODA. This provides for a more realistic comparison of loans and grants and encourages the use of grants and highly concessional loans. The calculation of the grant portion is based on the recognition that lending to poorer countries involves greater provider effort and recipient benefit than lending to richer countries. The discount rate used in the calculation is differentiated by developing country groups – a loan to a Least Developed Country or other Low Income Country will score more ODA than a loan at the same conditions extended to a Middle Income Country.

MORE AND BETTER CONCESSIONAL RESOURCES TO COUNTRIES MOST IN NEED Furthermore, higher concessionality thresholds have been introduced to fix softer terms and conditions to countries most in need. In the past, the threshold for ODA eligibility was set at a grant element of 25%. Under the new system, loans to LDCs and other LICs must reach a grant element of at least 45% to be reportable as ODA, while LMICs will require a 15% minimum grant element and UMICs a 10% minimum grant element. Particular emphasis is placed on debt sustainability – to be reportable as ODA loans will have to be consistent with the IMF Debt Limits Policy and the World Bank's Non-Concessional Borrowing Policy.

TIMING The grant equivalent system will be introduced starting with 2015 flows. During a three-year transition period, both the new and current system will be run in parallel. The new system will become the norm in 2018.

Relevant OECD publications

Caruso, R. and J. Ellis (2013), "Comparing Definitions and Methods to Estimate Mobilised Climate Finance", *OECD/IEA Climate Change Expert Group Papers*, No. 2013/02, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/5k44wj0s6fq2-en

Caruso, R. and R. Jachnik (2014), "Exploring Potential Data Sources for Estimating Private Climate Finance", *OECD Environment Working Papers*, No. 69, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/5jz15qwz4hs1-en

CBD (2014), "Decision adopted by the Conference of the Parities to the Convention on Biological Diversity, XII/3. Resource mobilization" www.cbd.int/doc/decisions/cop-12/cop-12-dec-03-en.pdf

Haščič, I., et al. (2015), "Public Interventions and Private Climate Finance Flows: Empirical Evidence from Renewable Energy Financing", *OECD Environment Working Papers*, No. 80, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/5js6b1r9lfd4-en

Jachnik, R., R. Caruso and A. Srivastava (2015), "Estimating Mobilised Private Climate Finance: Methodological Approaches, Options and Trade-offs, *OECD Environment Working Papers*, No. 83, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/5js4x001rqf8-en

Mirabile, M., J. Benn and C. Sangaré (2013), "Guarantees for Development", *OECD Development Co-operation Working Papers*, No. 11, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/5k407lx5b8f8-en

Ockenden, S., and V. Gaveau (2015, *forthcoming*), "A stock-take of OECD DAC members' reporting practices on climate and environment-related official development finance, including reporting to the Rio Conventions".

OECD DAC Statistics (2015a), implementation of the modernised taxonomy of financial instruments and The data collection on amounts mobilised - Revision of the Statistical Reporting Directives. DCD/DAC/STAT(2015)7

OECD DAC Statistics (2015)b, Methodologies to measure amounts mobilised from the private sector by official development finance interventions. DCD/DAC/STAT(2015)8

OECD DAC Statistics (2014), "Climate-related development finance in 2013: Improving the statistical picture". www.oecd.org/dac/environment-development/Climate-related%20development%20finance%20FINAL.pdf

OECD (2014), "Financing climate change action: Policy Perspectives ", OECD. www.scribd.com/doc/239900170/Financing-Climate-Change-2014-Policy-Perspectives

OECD (2014), "Technical note on the treatment of "green" multilateral flows in DAC statistics". www.oecd.org/dac/stats/documentupload/Technical%20note%20on%20the%20treatment%20of%20green%20multilateral%20flows%20in%20DAC%20statistics.pdf

OECD DAC (2013a), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire", OECD. www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-FINAL-ENG.pdf

OECD DAC (2013b), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire – Addendum 1", OECD. www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-ADD1-FINAL-ENG.pdf

OECD DAC (2013c), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire – Addendum 2", OECD. www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-ADD2-FINAL-ENG.pdf

OECD Development Co-operation Directorate (2011), "Handbook on the OECD-DAC Climate Markers", OECD. www.oecd.org/dac/stats/48785310.pdf

Paper no. 5: United Nations Development Programme

Views on the methodologies for the reporting of financial information,

Submission to Standing Committee on Finance

Submission by UNDP
Draft by Joanne Manda, Kit Nicholson, Kevork Baboyan and Hanh Le

Key Messages

1. MRV of support needs to go beyond tracking of climate finance flows but also assess how international climate finance contributes to strengthening country-led climate response. It should encompass both domestic and international finances and support recipient countries in verifying receipts of international financial flows. CPEIRs are a valuable tool to support MRV more generally in relation to providing recipient country perspectives on financial flows as well as adaptation and mitigation actions.

2. There is no agreed definition of climate finance. The Biennial Assessment Report proposes a definition that is broad, functional and flexible to allow for country context. The CPEIR methodology provides a common framework for defining climate finance whilst allowing for contextual flexibility.

3. CPEIR has methodological options/experiences that many be useful for the COP going forward.

Background

1. At COP17, Parties requested the Standing Committee on Finance (SCF) to assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources, and measurement, reporting and verification of the support provided to developing country Parties[1].

2. At COP19, Parties invited the SCF to increase its work on MRV of support beyond the biennial assessment and overview of climate finance flows (BA)[2]. The BA was tabled at COP 20 along with clear recommendation for further work including:

   - Invitation to relevant bodies of the Convention to develop common reporting methods for needs and climate change finance received in time for the next cycle of Biennial Update Reports (BURs), with consideration of developing countries experiences;

   - Invitation to relevant international institutions, organizations, and experts from both developed and developing countries to explore options to strengthen tracking and reporting of domestic climate change finance from public and private sources in developed and developing countries, building on international experience and emerging practices.

3. At COP20, in relation to the work on methodologies for reporting of financial information by Annex I countries, the COP invited Parties and observer organizations to submit views on the methodologies for the reporting of financial information[3]. The submissions will be summarized in a technical paper to be developed by the Secretariat to inform an in-session technical workshop jointly organized under the auspices of the SCF, the

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[1] Decision 2/CP.17, paragraph 121.

[2] Decision 7/CP. 19, paragraph 9.

[3] Decision 11/CP.20, paragraph 2.

Subsidiary Body for Scientific and Technical Advice (SBSTA), and the Subsidiary Body for Implementation (SBI).

4. Over the past 5 years, UNDP has been working with developing countries to conduct Climate Public Expenditure Reviews[4] (CPEIRs) which review, quantify and analyse national climate finance including from domestic and international sources with integrating climate change into the national budget process. As such, the CPEIRs provide the tools and methodologies in tracking the delivery of climate change finance at the national levels as well as provide insights into key factors towards successful MRV of climate change finance from the recipient countries' perspective.

5. Given the relevance of the CPEIR experience to the issue of MRV of climate change finance and support from Annex I Parties, UNDP makes this submission, in response to the above-mentioned call for submissions of views on the methodologies for the reporting of financial information by Parties at COP20 (Decision 11/CP.20, paragraph 2). It aims to share country experiences from CPEIRs on the issue of tracking climate change finance.

Balancing national and international perspectives on MRV of support

6. An effective framework for MRV of support needs to generate a comprehensive view of both domestic and international efforts towards climate change resilient development. The wide range of sources and delivery channels of climate change finance poses a challenge in monitoring and tracking from both perspectives of disbursing and recipient countries. The COP guidelines outline that the source and character of funds should allow for traceability on the part of non-Annex I parties in order for them to be able to certify the funds received and report on the effective use of those funds. Evidence from Biennial Update Reports indicates that there is still a lot to be done to allow for comprehensive certification of funds received in current reporting. As already indicated in the BA report, MRV of support should encompass both domestic and international climate change finance. Non-Annex 1 countries require further support to roll out CPEIR analysis globally in order to build up a credible body of work and more comprehensive datasets for both domestic finance and recipient led certification of international climate finance flows. Future iterations of the BA could then include more comprehensive coverage of both domestic and international finance as a complete picture of global climate finance flows.

7. Channels for delivery of international climate change finance are often off budget and difficult for recipient countries to trace. The challenge remains in how to ensure coherence between the amount reported to be mobilized from disbursing countries and the corresponding budgets allocated within recipient countries. Current reports in Annex 1 country Biennial Reports (e.g. Table 7: Provision of public financial support) does little to help track and quantify funds received. The CPEIR provides recipient countries with the tool to track and measure receipts of climate change finance flows in the context of overall national planning and budgeting processes. UNDP has developed a CPEIR database[5] which captures climate change expenditures from a national perspective. While data is currently not easily comparable (due to the various definitions of what constitutes climate change finance) it might provide a useful platform for future MRV reporting. The main challenge is to ensure that disbursing and recipient countries have common approaches and methodologies to track financial flows. This submission outlines below some of the approaches utilised within the CPEIR which can be used to strengthen classification and reporting of Annex 1 countries.

Definition of Climate Change Finance

8. A key challenge in measuring climate change finance is that there is a wide range of sources of and channels for the delivery of climate change finance and there is currently no internationally agreed definition of climate change finance. Climate change finance comes from public and private sources, including international dedicated climate funds, climate-relevant ODA contributions, national budgets, private sector etc. Each of these sources uses its own definition of climate change finance and its own systems and methodologies for reporting it.

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[4] More information on CPEIRs is available on our website at http://climatefinance-developmenteffectiveness.org/.

[5] Link: http://climatefinance-developmenteffectiveness.org/CPEIR-Database.

9. The initial review of the climate change finance definitions identified in BA report points to a convergence that can be framed as: "Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts." Whilst this makes it clear that the definition is determined by the aim (or objective) of the finance, the practical application of this has proved difficult and liable to over-estimation. The COP through the work of the SCF should continue to work towards a common, functional definition of climate finance which incorporates views from non-Annex 1 countries. The CPEIRs methodology offers an emerging framework for classification of climate change finance which provides core elements relevant to defining climate change finance whilst allowing flexibility for country context.

Methodologies for measuring climate change finance – Classification and Weighting Climate Relevance

10. Experience with Climate Public Expenditure and Institutional Reviews (CPEIRs) and with Climate Change Financing Frameworks (CCFFs) suggests that robust measurement of climate finance is a major challenge, especially for adaptation. As outlined above, it is a challenge to define climate change finance in an objective manner that is practical and easy to understand. A method is needed to define the extent of the 'CC relevance' (i.e. the CC%)of all actions, to focus on the most important actions and so avoid duplicating conventional development programming. The CPEIRs undertaken in various countries[6] since 2012 define CC finance based on assessing the level of climate change relevance of a particular expenditure using two approaches, namely: i) CPEIR Climate Change Relevance Index and ii) CPEIR Benefits Approach.

Approach 1 - CPEIR Climate Change Relevance Index

11. This approach builds on the Rio Markers Methodology developed by the OECD which utilises the declared objectives of the programmes and expenditures to determine the climate change relevance of the expenditure on a scale of 0 – 100%. All activities are grouped into the five categories listed in the table below, with the corresponding weightings then applied to the programme/policy expenditures in order to quantify the climate change-relevant expenditures.

The structure of the climate change relevance index is summarized in table 1 which is based on the structure used for the Thailand 2012 CPEIR.

Table 1. *CPEIR Climate Change Relevance Index*

High	>75%	CC is the explicit primary objective
Mid	50%-74%	Include a mix of activities, only some of which are CC relevant
Low	25% - 49%	CC is a secondary objective, or with only one CC activity amongst several
Marginal	<25%	CC is a very minor objective, often only implicit
No	0%	Unaffected by CC

Source: Thailand CPEIR, 2012.

Actual examples of what is considered climate change finance in CPEIRs based on national planning and budgeting documentation, literature review, expert opinion and national stakeholders consultations can be found in table 2 below.

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[6] CPEIRs have been conducted in Bangladesh, Cambodia, Fiji, Indonesia, Morocco, Nauru, Nepal, Philippines, Samoa, Tanzania, Thailand, Uganda and Vietnam.

Table 2. Public Expenditures Classification According to the Climate Change Relevance Index

[illegible]	[illegible]	[illegible]
Weighting more than 75%	Examples	- Energy mitigation (e.g. renewables, energy efficiency) - Disaster risk reduction and disaster management capacity - The additional costs of changing the design of a programme to improve climate resilience (e.g. extra costs of climate proofing infrastructure, beyond routine maintenance or rehabilitation) - Anything that responds to recent drought, cyclone or flooding, because it will have added benefits for future extreme events - Relocating villages to give protection against cyclones/sea-level - Healthcare for climate sensitive diseases - Building institutional capacity to plan and manage climate change, including early warning and monitoring - Raising awareness about climate change - Anything meeting the criteria of climate change funds (e.g. GEF,PPCR)
[illegible]	[illegible]	[illegible]
Weighting between 50% to 74%	Examples	- Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect - Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against drought - Bio-diversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) - Eco-tourism, because it encourages communities to put a value of ecosystems and raises awareness of the impact of climate change - Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
[illegible]	[illegible]	[illegible]
Weighting between 25% - 49%	Examples	- Water quality, unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high - General livelihoods, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability in areas of low climate change vulnerability - General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high - Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
[illegible]	[illegible]	[illegible]
Weighting less than 25%	Examples	- Short term programmes (including humanitarian relief) - The replacement element of any reconstruction investment (splitting off the additional climate element as high relevance) - Education and health that do not have an explicit climate change element

Source: Thailand CPEIR, 2012.

12. The strength of the Climate Change Relevance Index approach is its simplicity, and how it adjusts to the country's context. It provides useful rough estimates of climate relevance based on expert opinion and agreed by national stakeholders.

13. Another advantage of the Climate Change Relevance Index is that it simple to explain and communicate to stakeholders with limited technical expertise due to capacity constraints when engaging them in national consultations. It also requires less data and resources than the alternative approach that will be presented later.

14. However, the approach presents some weaknesses including a certain level of subjectivity which might lead to weights that are biased upward undermining, therefore, the credibility of the climate weighting exercise.

15. Finally, it is important to remember once again that the climate relevance index tries to capture the significance of CC as an objective of the expenditures it is analyzing. It does not, for example, take into account the outcomes of expenditure nor does it distinguish more subtle but important nuances between the relevance of the expenditures to current climate variability versus their relevance with respect to long term change in climate trends. For example, a cyclone shelter will become increasingly **climate change relevant** as the impact of climate change grows in the coming years and disasters become more likely. However, cyclone shelters are also relevant to disaster events due to **current climate variability**. By assigning a high relevance weight (often 100 percent) to cyclone shelters and other disaster risk infrastructure, the climate relevant index does not distinguish between relevance for current climate variability and relevance for change in the climate happening in the long term. Assigning a 100 percent CC relevance weight to a cyclone shelter implies that it has only relevance for future disaster events happening as a result of future climate change impact but is not relevant for actual disaster events due to current climate variability.

Approach 2 - CPEIR Benefits Approach

16. This methodology defines climate change relevance by how sensitive a programme is to climate change, linking intrinsically to the expected benefit of the action to the impact of climate change. It reconciles the climate impact analysis and the climate relevance analysis by analysing the benefits when climate change impacts materialise compared to the situation without climate change. This is done by estimating the benefits of an action both with and without CC and comparing these benefits, as follows

CC% = (B – A) / B
where A = the benefits that would be generated by the action, if there was no CC
B = the benefits that would be generated with CC

17. The benefits from an action are those conventionally recognised in national planning and include: economic benefits (e.g. incomes, assets etc.), social benefits (e.g. education, health, welfare, gender …) and environmental benefits (e.g. biodiversity, reduced pollution etc.). For major investments, the benefits may be estimated as part of an economic analysis (e.g. rates of return for irrigation, roads, new crop varieties, energy investments etc.). For other actions, they may be defined as outcomes in logical frameworks, with associated indicators (e.g. people protected from floods, hectares of forest planted, number of households).

18. Figure 1 visualises the analysis of benefits in situations "with" and "without" climate change impacts. The transparent and green areas represent the benefits of investing[7] public resources.

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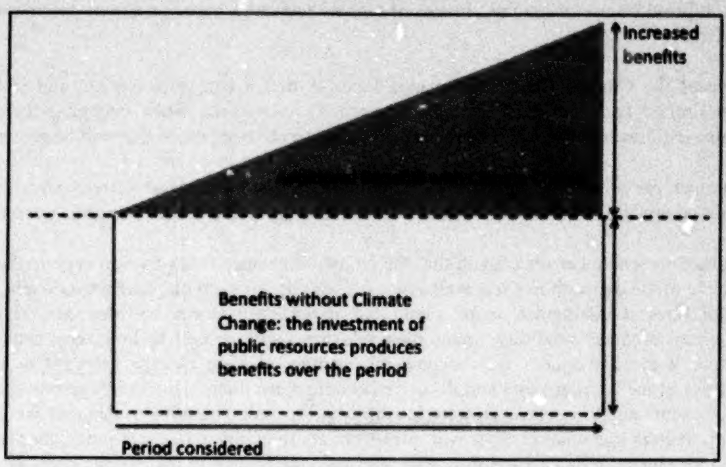
[7] Investing public resources can be done in any type of programme or tax incentives and subsidies, it is not tied to capital expenditures.

Figure 1: The Benefit Approach-An Illustration


Increased benefits
Benefits without Climate Change: the investment of public resources produces benefits over the period
Period considered

19. Three countries (Cambodia, Thailand and Indonesia) have undertaken this methodology. In all of these countries, the analysis has used national evidence, wherever possible, supplemented by international studies. For all the countries, the benefits analysis supported public finance reform initiatives that aim to improve the evidence base of policy formulation and introduce results based management.

20. This methodology provides a rational approach to objectively estimate climate change relevance. This requires an explicit definition not only of the climate change objectives, but also of the other objectives (i.e. economic, social and environmental objectives). It helps avoid "green washing" programmes whose objectives are climate related without delivering climate benefits. This approach can be done in both quantitative and qualitative ways.

A - Quantitative Method to Assess CC Relevance or the "Benefit Cost Ratio" Approach

21. Where possible, the benefits with and without CC can be estimated quantitatively. In that sense, it is capable of identifying the "additional" climate change component of a programme on more objective grounds (compared to subjective judgements made by public finance management experts and climate finance specialists in the CPEIR Climate Change Relevance Index method). The indicator of benefit used in the CCFFs was the Benefit Cost Ratio, which allows benefits associated with reduced costs to be included, without making special provision.[8] For example, the Ministry of Agriculture in Thailand refined the CC% relevance weight initially calculated in the 2012 CPEIR based on the Benefits Cost Ratio approach for five strategic agriculture investments that present climate change co-benefits.

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[8] However, if it is difficult to measure the value of benefits, it may be more appropriate to use indicators for physical benefits.

Table 3. *CC% Relevance for Selected Spending by the Thailand's Ministry of Agriculture and Cooperatives as per the BCR Approach*

	2014 Budget (THB m)	***BCR***		***%CC Relevance***
		without CC	***with CC***	***(BCRcc - BCRwcc)/BCRcc***
Irrigation (if proofed)	40,095	2.8	3.2	10%
Integrated Pest Management	5,435	4.8	6.2	22%
Fisheries – Shrimps	3,653	1.7	2.2	21%
Livestock - Pig Slurry	5,331	1.5	2.0	23%
Land Development - Vetiver	5,193	2.2	2.7	20%
Total	**59,707**	**2.8**	**3.2**	

Source: Strengthening Thailand's Capacity to Link Climate Policy and Public Finance, 2014.

22. Now if we compare how the two approaches defined climate change finance (let us take the example of irrigation for Thailand) we find out that each one provide a different insight:

- The climate change relevant index assessed the relative importance of climate change as a policy objective of investing in irrigation and find out that adaptation to climate change was an objective of investments in irrigation granting the irrigation expenditures in the budget 50-75 percent score on a total scale of 100 percent (please refer to table 2).
- The %CC relevance BCR approach finds out that investing in irrigation will bring additional climate change co-benefits of 10 percent (out of the total benefits brought by irrigation spending) over the lifetime of the project[9] as climate change impact increases causing additional droughts during the wet season (please refer to table 3).

B - Qualitative Benefits Analysis to Assess CC Relevance

23. A BCR approach might not be always feasible. Limited availability and reliability of data, the complexity of the analysis and national capacity might constrain a rigorous BCR analysis. This second method entails a more qualitative estimation of the relative importance of the climate benefits (compared with economic, social and environmental benefits) of each action and using that to determine climate change relevance. This approach is more accessible for most stakeholders, allows for participatory determination of climate change relevance and helps encourage experts from central and line ministries and other stakeholders consulted to think about how CC impacts on policy performance (please see table 4).

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[9] The lifetime of the spending is assumed to span the 2014–2050 period.

Table 4. *Guide for Subjective Estimation of Benefits Used in the Indonesia Green Planning and Budgeting*[10]

BCR	*Interpretation*
1.5 – 2.0	Strongly positive benefit, easily enough, on its own, to justify the (public/private) cost
1.2 – 1.7	Positive benefit, just enough, on its own, to justify the cost
0.7 – 1.3	Benefit about equal cost, needing some other modest benefit to justify the cost
0.3 – 0.8	Secondary benefit, important but needing substantial other benefits to justify cost
0.1 – 0.4	Minor benefit, worth noting, but not likely to be a major factor in justifying the costs

24. Guidance on how to score relative benefits to stakeholders involved in climate change weighting is required in order to avoid the overestimation of climate change benefits, compared with economic, social and environmental co-benefits. Therefore, qualitative assessment of benefits through expert opinion should be complemented by drawing on other sources and principles which are presented here as a matter of example:

- International case studies of policy appraisal could be used for evidence,
- The IPCC 'SREX Rule' which assumes that benefits from avoiding or reducing the impact of climate change will become twice as valuable by 2050 as that the return period of extreme events will be divided by 2 at horizon 2050 and this change is linear,
- The value of the CO_2 content in fuel or electricity, compared with the economic value of fuel or electricity using the social cost of carbon

25. The use of such guidelines help mitigate the overestimation that could happen when the weighting is based entirely on objectives like in the climate change relevance index. They also encourage stakeholders to think about how CC impacts policy performance. Unlike, the BCR approach however, they do not completely eliminate the risks related to the inflation of weights. Table 5 below provides a presentation of % CC relevance yardsticks that could be used in a qualitative benefit analysis for each type of climate change expenditures that have been identified by the comprehensive climate change typology developed for the 2015 Vietnam CPEIR.

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[10] The executive summary of the Green Planning and Budgeting which assesses among other things the CC adaptation and CC mitigation benefits of Indonesia's green strategy priorities can be found at the following address: http://www.kemenkeu.go.id/sites/default/files/gpb-strategy.pdf

***Table 5.** Comprehensive Framework for Classification of Expenditures Incorporating CC relevance Yardsticks for Use in Qualitative Benefits Assessment*

Policy and Governance	***Adaptation Planning***	PG1.1	CC adaptation guidelines and technical regulations	100%	
		PG1.2	Policy/planning for CC response at all levels	100%	
		PG1.3	Manage/monitor implementation of adaptation policies	100%	
	Mitigation Planning	PG2.1	Policy, tax and incentive structure for mitigation	5-10%	Type B
		PG2.2	Sectoral mitigation plans and coordination	5-10%	Type B
		PG2.3	Manage/monitor implementation of mitigation policies	5-10%	Type B
	Sector Plans	PG3.1	Action and Sector Plans	100%	
		PG3.2	Impact assessments	100%	
		PG3.3	CC Capacity building	100%	
	Instruments	PG4.1	Mitigation instruments		Depends on sector
		PG4.2	Adaptation instruments		Depends on sector
		PG4.3	Mitigation and Adaptation Instruments		Depends on sector
	International	PG5.1	International cooperation	100%	
		PG5.2	Coordinating foreign and domestic investment	100%	
Scientific, Technical and Societal Capacity	***Science & Technology***	ST1.1	Information and database development		
		ST1.2	Hydrometeorology, early warning & CC projection	33%	Type A
		ST1.3	Biological & genetic resource strengthening	100%	
		ST1.4	Survey and assessment on CC impacts	100%	
		ST1.5	Technology for energy efficiency & low GHG emission	5-10%	Type B
	Awareness	ST2.1	CC awareness in education	100%	
		ST2.2	CC awareness for post school aged learners	100%	
	Community capacity	ST3.1	Livelihoods for communities in the context of CC	10-33%	Type D
		ST3.2	Capacity across whole community in CC response	100%	
Climate Change Delivery	***Natural resources***	CD1.1	Coastal protection and coastal dykes	100%	
		CD1.2	Saline intrusion	50-75%	Depends on location
		CD1.3	Irrigation	10-33%	Type C
		CD1.4	River dyke and embankments	33%	Type A
		CD1.5	Water quality and supply	10-33%	Type C
		CD1.6	Rural development and food security	10-33%	Type D
		CD1.7	Forest development	10-45%	Type E
		CD1.8	Fisheries & aquaculture	?	Depends on ecosystem
		CD1.9	Biodiversity & conservation	?	Limited research
	Resilient society	CD2.1	Public health & social service for CC sensitive disease	10%	WHO impact studies
		CD2.2	Residential and city area resilience	33%	Type A
		CD2.3	Transport	1-5%	Depends on flood risk
		CD2.4	Waste management and treatment	13%	Cambodia research
		CD2.5	Disaster specific infrastructure	33%	Type A (if CC disasters)
		CD2.6	Strengthening disaster risk reduction	33%	Type A (if CC disasters)
	Enterprise and production	CD3.1	Energy generation	5-10%	Type F
		CD3.2	Energy efficiency	5-10%	Type F
		CD3.3	Infrastructure and construction	1-5%	Depends on flood risk
		CD3.4	Industry & trade (energy efficiency/renewables only)	5-10%	
		CD3.5	Tourism (energy efficiency/renewables only)	5-10%	

Type A: Benefits wholly associated with climate variability, assumed to double by 2050, increasing in a straight line stating from now.

Type B: Mitigation, in which the value of reduced GHG emissions is 5-10% of the value of energy generated/saved

Type C: Some benefits affected by climate variability, some not. If all benefits are related to CC, CC% = 33%; otherwise lower.

Type D: Livelihood benefits for CC vulnerable households are 2x value of non-vulnerable. CC% = 33% if fully targeted

Type E: Depends on value of timber, agricultural income, value of CO2 emissions and non-economic forest benefits.

Type F: Value of reduced GHG emissions relative to economic value of reduced energy use/generation.

Principles and Rational for utilising the CPEIR approach

26. Lessons from the CPEIRs highlight some principles and rationale for utilising the methodology outlined above in order to respond to the challenge of robust measurement of climate finance flows.

(a) *Focusing on the outcomes* - Understanding the way in which CC affects the benefits from public policy is central to developing a realistic, clear and objective methodology for defining the CC relevance (CC%) of expenditure. In particular, estimation of benefits provides the best option for assessing and reporting on adaptation finance. The proportion of finance that is associated with CC (the CC%) should be determined by the extent to which CC affects the achievement of overall objectives (i.e. the benefits delivered). Adaptation actions typically contain an element of expenditure that is devoted to routine sustainable development (i.e. economy, society or environment) and an element that responds to CC. Therefore, an evidence based approach to defining the climate relevant component is crucial.

(b) *Understanding long term Climate Change trends vs present Climate variability* – CC finance is concerned with the response to the long-term change in climate, not to programmes that address current weather conditions. Because climate change happens slowly, the actions with highest climate change relevance will be those that safeguard future benefits (i.e. investment in infrastructure, institutions and long term research). Actions that aim to deliver benefits in the short term will normally have very low CC%. Actions that alleviate poverty will be primarily motivated by sustainable development objectives and can only be classified as CC finance to the extent that they target the resilience of households to the changes in shocks that will occur because of CC (and not to resilience to current climate change shocks).

(c) *Moving from Tracking and Reporting to Improved Climate Change Action* - The estimation of climate change relevance should become an integral part of government planning. It should be used to demonstrate the extent to which current and projected CC finance will reduce the impact of CC. An inclusive and robust assessment of climate change relevance can ensure that current and future climate change actions are described in a way that encourages clear and explicit **revision of the action**, either by rescaling[11] or modification[12], to respond to CC. The tendency to overstate CC% to access new sources of climate change finance can be better managed because the focus will be on long term outcomes and how actions should be supported through a combination of international and domestic investments through the routine national budget.

(d) *Inclusive, Nationally owned Processes* - The estimation of climate change relevance should be quantified through some form of structured participatory process. The importance of this nationally owned process is in empowering national stakeholders to better manage, coordinate and supervise various climate change finance flows. Where structured participatory scoring is used, clear principles can be defined and a reference table of default values provided to minimise the tendency to overstate climate change relevance and strengthen governance of climate finance.

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[11] Some actions may not need to be changed as a result of climate change, but there may be an argument for re-scaling actions them to reflect the fact that they become more valuable to beneficiaries with increasing CC impact. For example, cooperative management of farm water will become more important to farmers as rainfall become more variable.

[12] The design of some actions may need to be changed to take CC into account. This would mean introducing new features to existing actions, designed to ensure that actions respond to CC. For example, rural roads need to be built to new standards to resist more frequent and severe floods.

(c) *Institutional implications of Measuring Reporting and Verification (MRV) of support* - It is important that the methodology for MRV of support would provide the relevant institutions with practical tools for tracking and monitoring all climate change finance flows. Experience from CPEIRs indicates that institutional frameworks in many countries are weak in coordinating and reflecting international climate finance within the national planning and budgeting process. National mechanisms for delivery of climate change finance need further strengthening and coherence. Therefore, MRV of support should take into account of the technologies and the institutional capacity required for robust measurement and tracking of climate finance flows.

Paper no. 6: World Bank on behalf of the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, and the International Finance Corporation and the World Bank from the World Bank Group

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Dear Sir/Madam,

Since 2011, a group of Multilateral Development Banks (MDBs - the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB) and the International Financial Corporation (IFC) and World Bank (WB) from the World Bank Group (WBG)) work towards better climate finance tracking, by having developed and adopted climate mitigation and adaption finance tracking methodologies and annually reporting under the Joint Report on MDB Climate Finance.

The joint MDB approach for adaptation finance tracking uses a context- and location-specific, conservative and granular approach. The approach is process-based and drills down into the sub-project or project element level as appropriate. The reporting of adaptation finance is limited solely to those project activities that are designed to address climate risk, in an attempt to distinct projects contributing to climate change adaptation and a standard "good development" project.

Regarding mitigation finance tracking, it is based on the mitigation activity typology agreed among all MDBs, also following a granular approach as in adaptation finance. Mitigation activities include investment components related to renewable energy, energy efficiency and cleaner fuels, plus mitigation activities in transport, agriculture, forestry and land-use, waste and wastewater, plus non-energy GHG reductions and other cross sector activities.

The total climate finance provided by MDBs annually and the methodology adopted for climate finance tracking are described in more detail in our Joint Reports, most recently the Joint Report on MDB Climate Finance 2013[1] published in September 2014. The report has two main sections. The first section contains total MDB climate finance figures as well as the detailed data, broken down by adaptation and mitigation and by sector and geographic region. Section 2 explains the MDB joint approach definitions, geographical coverage, sectoral breakdown. It also provides guidance on the adaptation and mitigation finance tracking approaches and case studies to illustrate these. The group of MDBs intends to publish its annual 2014 Joint Report by June 2015.

The joint approach serves as a tool for MDBs to consistently measure climate change finance in a transparent and harmonized manner. The MDB working groups on climate finance tracking meet regularly to discuss projects/case studies and improvements to the methodology. This year, as in each, we are carrying out reviews of financing in challenging sectors.

MDBs also discuss commonalities and differences among climate finance tracking approaches with other non-MDB agencies and/or groups with the aim of better understanding, potential harmonization, and comparability of figures. Significant efforts have been made by the MDBs and the International Development Finance Club (IDFC), over the past year, to bring their mitigation tracking methodologies closer together. This year, both groups have intensified the work on the climate mitigation methodology and are finalizing discussions which may result in a common guidance for tracking climate mitigation. The groups also agreed to set a time-line for working on the climate adaptation tracking methodologies, where different approaches exist. In this context, discussion with other organizations such as UNFCCC, OECD, CPI and others will be highly useful.

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[1] <http://www.eib.org/attachments/documents/joint_report_on_mdb_climate_finance_2013.pdf>

Plans for 2015

Mitigation tracking

- 31st march 2015: MDBs and IDFC intend to announce Common Principles for Mitigation Finance tracking
- MDBs Mitigation working group continues its work stream with a proposed Meeting May/June 2015 – the group plans to invite other stakeholder such as IDFC UNFCCC CPI OECD GCF and stakeholders to follow-up on technical issues of tracking in already identified mitigation areas such as: EE in new buildings, urban development, transport, CHP and other topics. These discussions should also cover Topics of common interest already identified with IDFC. The aim would be to improve the MDB/IDFC Common principles on Mitigation finance tracking and also MDBs' own mitigation hierarchy by July 2015 and to support both GCF and UNFCCC SCF climate finance discussions

Adaptation tracking

- Following the informal exchanges in Lima, MDBs aim to bring together again MDBs IDFC OECD CPI UNFCCC GCF and others to examine the different approaches to tracking adaptation and climate resilience finance, with a view to increased transparency, and understanding the purposes of the different reporting types and needs of users of the reporting. Ultimately aiming to reach consensus on which type of reporting is best suited to different purposes.
- MDBs Adaptation working group continues its work stream on assessing portfolio resilience in addition to Adaptation finance. Looking at different approaches, assessing appropriate measures and indicators - aiming to share with external stakeholder its finding by end of year, and to inform and support both GCF and UNFCCC SCF discussions on finance and finance reporting.

General Climate Finance

- MDBs contribute to OECD review of Rio Markers May 2015.
- MDBs support next steps from UNFCCC Biennial Assessment and work streams of SCF throughout 2015 as needed.
- MDBs publish their Joint Report 2014 before SDG conference in Addis Ababa July 2015.
- MDBs produce report on climate finance leverage of private finance - definitions and approaches for tracking
- MDBs support presidency of COP 21 in lead up to Paris as required.

22 May 2015

English only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Subsidiary Body for Scientific and Technological Advice
Forty-second session
Bonn, 1–11 June 2015

Item 8 (a) of the provisional agenda
Methodological issues under the Convention
Methodologies for the reporting of financial information by Parties included in Annex I to the Convention

Views on methodologies for the reporting of financial information referred to in decision 2/CP.17, paragraph 19

Submissions from Parties and observer organizations

Addendum

1. In addition to the six submissions contained in document FCCC/SBSTA/2015/MISC.3, three further submissions have been received.

2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.[1]

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* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

[1] Also available at <http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=SBSTA>.

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Paper no. 1: China

China's submission on the methodology for the reporting of financial support from developed country Parties to developing country Parties under the UNFCCC

China appreciates the opportunity of calling for submission by the COP20 on the views on the methodologies for the reporting of financial information, as referred to in Decision 2/CP.17, paragraph 19 (hereafter as the Methodologies).

Recalling the Article 4.3 of the Convention, the developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12.1 and implementing measures that are covered by Article 4.1.

Also recalling the Article 12.3 of the Convention, each developed country Party and each other developed Party included in Annex II shall incorporate details of measures taken in accordance with Article 4, paragraphs 3, 4 and 5.

Taking note of Decision 4/CP.5 on the "Guidelines for the preparation of national communications by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications", Decision 2/CP.17 on the "Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention" with regards to "UNFCCC biennial reporting guidelines for developed country Parties", Decision19/CP.18 on the "Common tabular format for 'UNFCCC biennial reporting guidelines for developed country Parties'", and the experiences gained from the reporting and review of the sixth National Communications and the first Biennial Reports from the developed country Parties, also acknowledging the biennial submissions by developed countries for scaling up climate finance requested by Decision 3/CP.19.

1. China believes the purposes of the methodology for reporting financial information regarding to the Article 4.3 and Article 12.3 of the Convention are:
    - To ensure the information reported by developed country Parties meets their obligations under the Convention;
    - To enhance the transparency of the financial support and give a clear picture to the policy-makers and the public;
    - To stimulate the transfer of climate finance to the developing country Parties with the view to enhance their actions on addressing climate change;
    - To ensure the reported information is transparent, consistent, comparable, complete and accurate;
    - To ensure "1 dollar is 1 dollar" among the financial information reported;
    - To assist the aggregation of financial support information while avoiding mis-aggregation, inter alia, double counting and inappropriately including entirety of financial support on actions with multiple purpose, which will result in misleading the general public and policy makers;
2. China believes there is a need to define the term of "climate finance" used in the methodology;
3. The reporting shall be project-based and the information shall be reported through both textual and tabulate format;
4. The report for financial support from public sources shall be separated from that of other sources;
5. The Methodology shall define the sectors of climate support. The Article 4.3, Article 4.1 and relative decisions could be taken as reference when define sectors; the Methodology shall also cover the cross-cutting issues with multiple purpose on both climate actions and other social-economic development actions. For example, how to report those funds listed in core/general in the BRs, how the donor countries should give some explanation on why they believe the reported information is related to climate finance, in order to make it more transparent, comparable and accurate;
6. The Methodology shall identify eligible financial instruments for climate finance; and for different financial instruments, different methodologies shall be developed to make the funds comparable. For example, funds through grants, concessional loans or commercial investments can't be treated as the same;
7. The Methodologies shall identify eligible supporting channels for climate finance; for different

supporting channels, different methodologies shall be developed to make the funds reporting accurate. For example, funds through the multilateral mechanisms other than those under the UNFCCC may have multiple purposes, implying different shares of climate finance, and thus these funds shall not be treated the same as those funds through financial mechanism under the Convention and bilateral channels;

8. To maintain the consistency and avoid double counting, only those funds that have already been provided shall be reported, with both the current and constant prices; pledged or committed financial supports could be listed as annex or memorial items;
9. Financial information shall be classified by sectors, under which individual methodology shall be developed in order to reflect different circumstance of each sector. Within each sector, information shall be classified by recipient countries, financial instruments, and supporting channels;
10. The Methodologies shall provide guidance on aggregating financial information in order to ensure comparability and accuracy;
11. Methodologies on reporting the time serial shall also be developed;
12. The Methodologies shall identify memorial and declaration item;
13. The Methodologies shall provide guidance on the national arrangement for climate finance statistics and reporting.

Paper no. 2: Sudan on behalf of the African Group

Submission By Sudan on Behalf of the African Group: on methodologies for reporting climate finance information

The African Group welcomes the opportunities to present its views on the methodologies for the reporting of financial information; (2/CP.17, para. 19). It is our understanding that the development of this methodology is an entry point for further development of the MRV regime on climate finance under the Convention. Hence all efforts in developing these methodologies should follow an holistic approach that will help a strong reporting system that is measurable and verifiable.

It is important that in the methodologies for reporting, reference to "new and additional" is further elaborated. This is important both for public finance (to avoid double counting with ODA) and private finance (where several western countries claim to "leverage" the same private money. Also and until now there is indeed a "lack of agreed definition" for private finance, whenever referenced. As long as there is no agreed definition, it is difficult to report on private finance as developed countries are using very different definitions. This process should embark on arriving at an 'agreed' definition for reporting purposes. Finally the Group stresses that Parties have financial commitments and not the private sectors, hence reporting methodologies on mobilized private sector resources should be clearly delineated to avoid any confusion not miscalculations.

Under transparency, the Group calls on making it explicit by donors when developing countries are approached. Developing countries governments should be informed when monies have been committed, let alone disbursed hey receive money reported as climate finance. Linked to the issue of transparency, is the issue of ownership. According to the Cancun decision, climate finance should answer to the needs in developing countries. However, this may not be the case as the process through which "ownership" is established may not be clear at all.

How can it be assured that any investment (counted as climate finance in a donor country) is in line with the recipient needs, and priorities? We need to reference to specific paragraph in the Cancun agreement.

The current common tabular format and the guidelines for national communication address only national reporting of public climate finance provided from Annex II countries (including both bilateral contributions as well as contributions to multilateral institutions) and on private finance leveraged by bilateral finance.

The guidelines, however, do not cover reporting of some key sources of private finance such as private climate finance mobilized by multilateral sources. Further, the guidelines do not cover provision of information by all "developed" countries - only the climate finance mobilized by Annex II countries. The reporting guidelines allow both either individual or collective reporting of mobilized finance. However, there is no further guidance on what could be reported collectively, nor on who would be best placed to report "grouped" information.

An analysis of the current biennial report by Annex II countries reveals a wide variation in the stringency of methods used to assess whether, and to what extent, climate finance has been mobilized. The methods vary both between and within different financial instruments and institutions as well as the level of conservativeness differ among parties considerably. In fact, the first biennial assessment found that

- Parties did not use the reporting categories in the guidelines
- Parties reported using different years
- Parties reported funding to multilateral institutions without distinguishing funding for climate change
- While all Parties reported information relating to bilateral contributions, the data were provided in different formats and therefore difficult to compare
- Only half the Parties reported information on their private sector engagement
- Some parties reported information over a period instead of annually.

These different issues presented above boost the argument that a common reporting template, in the absence of common methodologies for reporting climate finance information, will not suffice to provide the extent of granularity required to get a complete picture of climate finance provided and mobilized towards a) the USD 100 billion commitment made by developed countries, or b) the finance-related commitments under the UNFCCC

Furthermore climate finance has been channeled through several types of public interventions. This includes direct co-financing (e.g. provision of grants, equity or loans), the use of other financial instruments (e.g. insurance or guarantees), and other policies and measures (such as in the near future partial funding by a developed country of a feed-in tariff or renewable electricity production in a developing country).

Current reporting guidelines suffer from the problem that there is no agreement on which activities and interventions are eligible for accounting towards the 100bn goal or towards the financial commitments under the UNFCCC. They also not specify how such activities or interventions would be counted, e.g. whether to count only the actual net transfer between developed and developing countries (e.g. grants; or grant equivalents of concessional loans rather than loans at face-value). Also, the accounting of other instruments such as guarantees, which often do not lead necessarily to disbursement, has been left unspecified.

Enhanced Methodologies for reporting climate finance information

An adoption of enhanced methodologies will lead to an adjustment of the current reporting format

From the AGN point of view, the process of developing common reporting format should start with the framing of the objectives and functions that the reporting guideline should fulfil and provide as set of information, bearing in mind that this development of the methodologies should serve later to shape the MRV system of climate finance under the Convention. Although the AGN recognizes that further guidance and methodologies for reporting climate finance received is needed at the recipient side, this submission, however stick to the mandate, which is to develop common methodologies for reporting climate finance information by developed countries.

At the outset, it is important to highlight, that in our view the methodologies for reporting climate finance information should be guided by a set of questions that Parties wish the reporting should provide as information.

At this point the AGN has identified four key objectives that the reporting of climate finance should achieve:

a) Enable Parties to get a full picture and comprehensive understanding of all. developed countries:
b) Enable developed countries to demonstrate their effort towards the achievement of 100bn goal.
c) facilitate the verification process and aggregation of information provided
d) Information should support evaluation of the information of effectives and delivery of climate finance.

In our understanding, the general principles that should guide the methodology for reporting climate finance information, should commensurate to those reporting of GHG inventories:

- *Completeness* means that a report should cover all major sectors, forms of financing, and uses of funds (types of projects) from all Parties to all Parties. It could also refer to the sources of funding by governments and other mechanisms.
- *Transparency* means the methodologies, processes, and procedures to estimate financing should be clearly explained and the sources of information identified to facilitate the checking of information.
- *Comparability* means that the information provided by Parties should be in a format to facilitate the aggregation and analysis of information.
- *Accuracy* means that the reported quantities of financial data are systematically neither over nor under actual financing and those uncertainties are reduced as much as possible. Guidelines should achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported data.
- *Efficiency* means that the information provided serves the decision-making needs of Parties with a minimum of effort, expense, or waste[2].

In our view the reporting system of climate finance information should be first step toward improved understanding of the underlying assumption behind the figures reported in the Biennial Report. It is also important to flag that strong methodologies that are common requires common understanding and the use of common definition. Defining the newness and additionality to the official is an important steps to set clear rules and guidelines towards an enhanced reporting system.

- We therefore propose that a dedicated slot being allocated during the workshop, whereby the Secretariat will present the definition commonly used as result of its synthesis paper on the different methodologies, on the other hand, Annex II parties and recipient countries could have also be given the chance to present their benchmarks for determining the newness and additionality.
- It is critical also in our view that a member of the Team of Expert Group participates in the workshop and presents the actual finding of the International Review and Assessment of the current Biennial report. Her/His presentation should focus on divergences, communalities and areas of improvement to inform the development of the methodologies for reporting climate finance.

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[2] Tirpak (2010): WRI; Guidelines for Reporting Information on Public Climate Finance

Furthermore, for the African group it is critical that the discussion on methodologies also address the definitional issues of what mobilized and leverage climate finance in the context of 100bn. The discussion on the methodologies should also help to clarify the range of instruments that is included in the 100bn commitment, what needs to be reported and how this information should be reported, in order to come to an enhanced reporting system. Last but not the least, questions around which developed countries in addition to the Annex II countries are covered by the commitment should build the foundation of enhanced reporting methodologies.

On the other hand, we think that the below list of questions will help to better understand the information provided with regard to public, bilateral and multilateral finance. These are:

a) How much public money is flowing from one Party to another for climate change activities in a particular year?
b) How much public money is flowing from developed to developing countries in a particular year and what type of funds (grants, loans, or guarantees) are being made available? To allow the disaggregation, the information should be given at project and country level. In the case of regional projects, complete information should be provided to each country targeted by the projects or programmes
c) How much public money is flowing toward particular purposes in a given country, and in which sectors?
d) How much public money is flowing toward particular activity types, and which categories of activities are being supported
e) How to calculate the portion of a projects finance that is climate-related and
f) How to ensure that disbursements are also linked to quantitative information from the CTF on the original commitment? How can project identifiers be developed that track climate finance from commitment, delivery and lifetime?

The decision on development of climate finance information should lead to an annotated time line for addressing elements that require long term effort to put in place. The framework on methodologies of climate finance information should contain following components that are interlinked and been regarded as a packet for enhanced reporting:

- Causality: Assessing if, and to what extent, there is a causal link between an intervention and mobilized climate finance.
- Attribution: Determining how, or if, mobilization is attributed to specific actors.
- Public or private: tracking whether financing is public or private.
- Point of estimation: assessing when in the financing chain mobilization is estimated and reported as well as the time horizon through which an intervention will be mobilizing

This finance will work in different ways, over different timescales, and involve different numbers of intermediaries. There are many different ways of mobilizing climate finance: direct interventions such as participating in financing a specific project/programme, to indirect interventions such as technical assistance, feasibility studies and funding credit lines. Hence different instruments to mobilize climate finance will be appropriate in different circumstances. The level of climate finance mobilized will vary significantly according to context, financing instrument, and the definitions and methods used to estimate it.

Option for enhanced information in public finance

The current system of reporting used entails limitations when it comes to comparability, completeness, accuracy, efficiency and transparency. Hence there is a need to complement the existing data collection, with a new that is guided by the UNFCCC. Given, the fact that the collection, aggregation of data often happen outside the convention, it is important that the UNFCCC provides clear guidance on the level of information required to have an enhanced reporting system. These guidelines will help data collectors and producers outside the convention to adjust their information and to harmonize their data, as to facilitate the measurement and verification process under the Convention.

These enhanced guidelines should cover:

- Mitigation:
  - The information should for instance introduce disaggregate information at sectoral level
- Adaptation
  - **bilateral adaptation** should to the extent possible further clarify the climate specificity of an adaptation project compared to developed countries.

        - From the African group perspective; this can be done, if only projects that emanate from a vulnerability assessment or other study that can help demonstrate that the project aims at addressing a specific climate variability[3]
- Project level information;
    - Specific concrete amendments into the Common Tabular Format are attached as annex to this submission.

Option for enhanced information in public sectors

As stated above, it is our view that the starting point for development of financial information should start with those of public finance leverage by bilateral climate finance. There are no guidelines on the leveraged climate finance by multilateral funds. There are greatest uncertainties with private finance flows, scale and magnitude compared to public climate finance. Tracking climate finance by private sectors that need further work on the availability and consistency of data and the determination of leverage ratio.

The current guidelines address to the extent possible private finance leveraged by bilateral finance, but do not cover reporting of some key sources of private finance such as private climate finance mobilized by multilateral sources. Current biennial reporting guidelines for developed country Parties under the UNFCCC enables either individual or collective reporting of mobilized finance. However, there is no further guidance on what could be reported collectively, nor on who would be best placed to report "grouped" information.

The Convention should send a strong signal to the actors engaged with private climate finance to systematically collect the data as to address the data availability as well as provide clear guidelines on how private climate finance could be reported under the Convention.

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[3] This methodology, firstly, emphasizes the importance of only marking as adaptation activities those which were intended from the beginning to have an adaptation benefit, and secondly, enables project managers to count as climate finance only the proportion of the cost of the project directly related to adaptation.

Annex I: Amendment on the Common Reporting Format of climate finance provided

Following amendment to the document FCCC/SBSTA/2012/L.33

a. The finance reporting should not be limited to only these tables, if deemed as necessary, additional tables should be provided such as on more detailed information related to adaptation and mitigation and particularly private sectors,

b. ***Table 5: Finance table related to para 17:*** This table should include the two previous years of financial reporting and enable a cumulative amount of funding to be reported for subsequent biennial reports. Additional will colon on resources, disbursed as to come to a better estimate and overview of climate finance from developed country to developing country Parties.

    a. In addition, all fractions of finance committed in year x should have to actually be transferred in the same year. Otherwise it should be referenced as to provide more clear pictures. The table should include a clear disbursement table of finance committed for a given biennial report time

c. **Table 6: Finance table related to para 17(a):** based on the decision in Warsaw, Annex II should provide information how they are ensuring a balanced allocation between mitigation and adaptation.

d. **Table 7: Finance related to para 17 (b-d):** This table should identify the financial contributions for adaptation, mitigation, response measures, capacity building and technology for each of the funds identified under these sub-points: the multilateral climate change funds, institutions including regional banks, Specialized UN bodies,

e. **Table 7(a):** An agreement should be sought as to which multilateral funds/channel constitute multilateral **climate** funds/channels for the purpose of reporting. For instance, some countries report their Montreal Fund contributions, some do not. Currently, only a handful of multilateral channels/funds are listed. The list should be completed.

f. **Table 7(a)** More generally, it would help to agree what constitutes "multilateral" here. Some countries report contribution to funds as multilateral that are that are not multilateral in the sense that they are constituted under a multilateral system. For instance, some countries have reported contributions to the Global Climate Partnership Fund as a multilateral contribution, but the GCPF is a fund backed by a handful of developed countries; in fact, the GCPF should be listed under bilateral flows.

g. **Table 7(a):** An agreement should be found as to what proportions of (core) contributions to certain funds should be reported here. For instance, Germany reports 40% of its GEF contribution as climate-relevant. Other countries count their entire GEF contribution (as core contribution) with no clarity on the proportion that is climate-relevant.

h. **Table 7(a) and 7(b):** Reporting should include at least aggregate information on the grant equivalent of loans provided.

i. **Table 7(a):** It should become compulsory to at least make an estimation on the climate-specific amounts included in core contributions to multilateral funds. The multilateral institutions will either be able to provide that information to donors (who then can report the figures), or an estimation can be made based on the donor countries relative contribution to the institution compared to other donors and the share of the institution's spending on climate versus the overall spending portfolio.

j. **Table 7(a) and 7(b):** A category "Mitigation (REDD+)" should be introduced alongside "Mitigation", "Adaptation", and "Other". The category "Cross-cutting" should be replaced by listing the cross-cutted sectors (e.g. "Mitigation/Adaptation").

k. **Table 7(a):** Contributions to the UNFCCC and IPCC secretariat's budget should not be listed as climate finance contributions (as welcome as these contributions are, they are not supporting mitigation or adaptation in poor countries). There could be made room elsewhere to recognize these flows.

l. **Table 7(b):** It should be compulsory to provide information on a project level (including a project title and information that provide at least rough information on what a project aims to do and how it relates to climate) rather than only aggregate numbers. Many countries have provided such project level information, but many have not. Only via project-level information will it be possible to do the "V" in "MRV"

m. **Table 7(b)**: Bilateral financing should be reported towards the year when the commitment to support a certain project or programme has been made (e.g. reflected by the signing of the partnership agreements between the donor and the recipient country). Currently, in some cases actual cash-disbursements are reported, in other cases, reporting is based on commitments. As commitments show current funding decisions whereas cash-outflows are the result of decisions in the past, reporting on the basis of commitments much better reflects what donor countries are doing.

n. **Table 7(b)**: Project level information should include the codification through the Rio Markers for Adaptation and for Mitigation, to demonstrate the climate relevance of funded actions.

o. Need two separate columns, one on finance committed bilaterally in a given year, and one on finance transferred in that same year (resulting mostly from commitments made in earlier years). Also, beyond the aggregate figures, a project list should be included, similar to what the EU did in reporting their fast start finance – that way everyone can see what projects donor countries consider "climate finance".

p. **Table 9: Finance related to para 18 (a-f)**: The sub-points should each have their own rows. This table should also differentiate between loans and grants, and for loans require reporting of the grant equivalent of loans.

Paper no. 3: Switzerland

Views on methodologies for the reporting of financial information

Submission by Switzerland

Following the invitation in Decision 11/CP.20, Switzerland is pleased to submit its views on issues related to methodologies for the reporting of financial information.

Transparency is of utmost importance to provide assurances about the delivery and use of committed support and to ensure trust amongst Parties. Within this context, Switzerland acknowledges the necessity of common, consistent and standardized provisions to track, measure and report climate finance. This submission builds upon views expressed in Switzerland's submission of 6 June 2014, where selected aspects have been elaborated in more detail.

1 General remarks related tomeasuring and tracking of climate finance

i) Public climate finance

The reporting guidelines should be revised to encourage and accommodate the use of the full range of public tools relevant for climate finance and not set wrong incentives. To measure and track public climate finance, Switzerland advocates to build on existing measuring and tracking tools, e.g. the OECD DAC reporting on official development assistance and other official flows and its Rio-marker methodology. Common methodologies and provisions should be applied by all Parties. Joint reporting exercises such as the one undertaken by the multilateral development banks in their annual joint report on their public climate finance investments are highly valuable and a good means to reduce the risk of double counting and administrative efforts.

ii) Private sector contributions

With respect to private sector contributions, Switzerland commends the useful activities of the OECD-coordinated Research Collaborative in enhancing clarity and fostering convergence in the understanding of measuring and tracking methodologies for private climate finance. In our view, voluntary reporting of climate finance flows by the private sector should be stimulated and incentivized by all Parties within their national legislation and policies to increase the transparency and visibility of the various climate relevant investment flows from the private sector.

iii) Mobilized climate finance

Climate finance can be mobilized through policy interventions or through the leveraging of financial resources from a variety of sources by various financial instruments. Switzerland is in favor of the development of a MRV scheme, which is:

- **lean**: the scheme should be easy to handle and not overcharge the capabilities of various data reporters (e.g. governments or IFIs)
- **integer**: the scheme should build on available data and best reflect reality; double accounting should be avoided and the scheme should further allow, where possible, for aggregation and comparison of data
- **meaningful**: the scheme should increase transparency in order to build trust between stakeholders and promote nationally appropriate action
- **appropriate**: it should be applicable to various types of data reporters and allow for individual or joint reporting

Switzerland welcomes the initiative by multilateral development banks to develop a common reporting methodology for mobilized private sector climate finance as a sequel to their much appreciated joint reporting on public climate finance.

iv) Use and impact of climate finance

When discussing MRV of climate finance, the monitoring of the use and impact has to be fully integrated in the discussions and the revisions of the reporting guidelines. The reporting of climate funding's use and impacts increases the overall transparency, the incentives for favorable enabling environments and effective investments. In addition, the reporting by all parties on the use of funds helps to identify the challenges and difficulties in the effective management of the resources. In Switzerland's view, this will contribute to build trust among stakeholders and potentially lead to higher impacts and contribute to the achievement of the ultimate objective of the convention.

2 Lessons learned from reporting of financial information in the context of the first submission and review of Biennial Reports.

The existence of separate guidelines for national communications and for biennial reports (BR) covering the same topics has led to some inconsistencies, which make reporting increasingly burdensome and ultimately less efficient. These deficiencies have been elaborated upon in detail by the European Union and its Member States in their submission of 21 February 2014.

The revision of the guidelines for the reporting of financial information should take into account experiences gained by Parties and review teams in the course of the reporting and review cycle for the first BRs as well as earlier or ongoing work in specialized bodies such as the OECD Rio-Marker Task Team. Thus, the revision of guidelines for national communications and for biennial reports should

- seek feasible solutions for areas where Parties have encountered difficulties in implementing presently applied guidelines (e.g. the manner in which funds are qualified as climate-specific)
- harmonize reporting requirements across the Convention and for all Parties, i.e. by aligning the reporting guidelines on climate finance for national communications with the more recent reporting guidelines for BRs (in particular regarding the content of tables covering the same topics).

In this context, Switzerland would also like to highlight one specific technical problem regarding the distinction between multilateral and multi-bilateral trust funds:

The current BR reporting tool automatically summarizes all multi-bilateral trust funds managed by one stakeholder (e.g. World Bank) in one line, which leads to erroneous sums in the system (e.g. giving wrong figures for adaptation or mitigation specific overall sums).

i) Information on funds provided to support technology transfer and capacity building

Capacity building and technology transfer are generally not specific stand-alone activities. They typically form integral parts of other types of support projects and programmes. There is no practical and agreed basis on how to monitor and report this type of support separately or to single out related contributions in a meaningful way. Therefore, we abstained from completing the tables on technology transfer and capacity building specific support elements as requested by the BR guidelines. Instead we submitted a narrative paragraph giving indicative examples of projects and programmes from Swiss development and cooperation activities, which clearly demonstrate the integral approach for technology transfer and capacity building.

ii) Climate-specific funds within multilateral and multi-bilateral aid

Currently it is not possible to report the exact climate change specific share within multilateral and multi-bilateral contributions, especially with respect to core contributions for most multilateral funds (e.g. International Development Association IDA). Switzerland advocates to further develop a climate finance tracking and measuring methodology for all public flows invested through multilateral finance institutions. The methodology should build on existing tracking and measuring methodologies and be developed in a dialogue with these institutions. In this context, Switzerland welcomes the work of the joint statistical and environmental task team of the OECD on the improvement of the Rio-marker methodology as an important element in support of improved reporting within the Rio-Conventions.

3 Clarification of Roles and Responsibilities

On a procedural note and in the interest of clarity in roles and responsibilities, Switzerland would like to stress the importance of a clear division of work between the Standing Committee on Finance (SCF), SBSTA and SBI. The lead and the responsibility for a lean and focussed process should in our view lie with the SCF. Due to the expertise of its members, this technical body under the Convention is best placed to coordinate activities related to the improvement of MRV of support.

Switzerland is convinced that, based on the points raised above, the further development of the reporting system on climate finance would contribute to a more efficient and cost-effective MRV process while ensuring the transparency and integrity of the reporting scheme as a whole.

27 May 2015

English only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Subsidiary Body for Scientific and Technological Advice
Forty-second session
Bonn, 1– 11 June 2015

Item 8(c) of the provisional agenda
Methodological issues under the Convention
Emissions from fuel used for international aviation and maritime transport

Information relevant to emissions from fuel used for international aviation and maritime transport

Submissions from international organizations

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its forty-first session, invited the secretariats of the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to continue to report, at future sessions of the SBSTA, on relevant work on addressing emissions from fuel used for international aviation and maritime transport.[1]

2. The secretariat has received submissions from ICAO and IMO containing information on emissions from fuel used for international aviation and maritime transport. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.

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[1] FCCC/SBSTA/2014/5, paragraph 79.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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Paper no. 1: International Civil Aviation Organization

The Forty-second Session of the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA42)

(1 to 11 June 2015 – Bonn, Germany)

Agenda Item 8 (c)
Emissions from fuel used for international aviation and maritime transport

(Submission by the International Civil Aviation Organization (ICAO))

Executive Summary

ICAO and its Member States have been actively progressing on a strategy to address CO_2 emissions from international aviation, with our collective global aspirational goals for the international aviation sector of improving fuel efficiency by 2% per year and keeping the sector's CO_2 emissions from 2020 at the same level.

Key ICAO activities include the development and assistance for the implementation of mitigation measures, relating to aircraft technologies, operational improvements, sustainable alternative fuels for aviation, and a global market-based measure (MBM) scheme.

To respond to the agreement of the 38th ICAO Assembly to develop a global MBM scheme for international aviation, significant efforts are being made as Member States, the aviation industry and other stakeholders are working together to develop a proposal capable of being implemented from 2020, for decision by the 39th ICAO Assembly in 2016.

ICAO also conducted the first round of five regional MBM Global Aviation Dialogues (GLADs) seminars throughout April 2015, as a means to ensure the full engagement of all stakeholders and widest possible range of inputs.

To assist the implementation of concrete actions to reduce CO_2 emissions from international aviation by Member States, ICAO has been undertaking capacity building and assistance strategy, including recent 7 regional seminars held in all ICAO regions, which helped 77 Member States to voluntarily develop and submit their action plans to ICAO.

To facilitate financing for Member States' actions, ICAO established two partnerships – one with the European Commission (EC) and another with the Global Environment Facility (GEF) and United Nations Development Programme (UNDP).

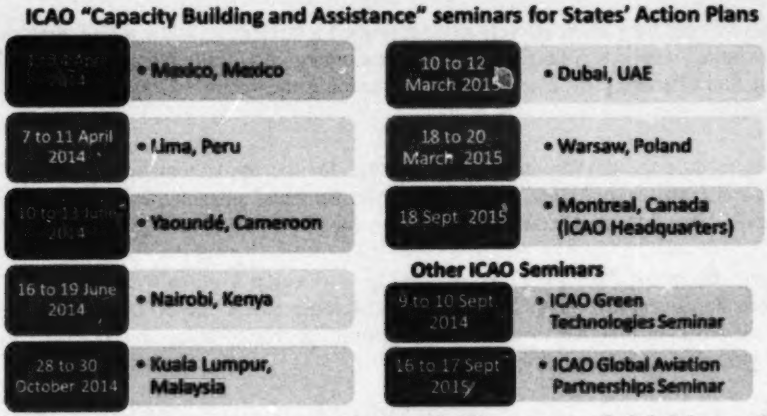
With the increasing engagement of Member States, and in close partnership with the aviation industry and other international organizations, ICAO has been working actively to address emissions from international aviation, as the sector moves forward in achieving its ultimate vision of sustainable international aviation.

Resolution A38-18 text adopted by the 38th ICAO Assembly is provided in **Appendix B**.

RECENT ICAO DEVELOPMENTS

Voluntary States' Action Plans to Reduce International Aviation CO_2 Emissions

In response to the request of the 38th ICAO Assembly to organize seminars in the regions to provide States with practical, hands-on assistance in developing and enhancing their voluntary action plans on aviation CO_2 emissions reduction activities, 7 seminars were held in all the ICAO regions from April 2014 to March 2015. The material provided in each seminar is made available on the ICAO action plan website[2]. In addition, ICAO updated Doc 9988, *Guidance on the Development of States' Action Plans on CO_2 Emissions Reduction Activities*, including the incorporation of "Rules of Thumbs" which simplify the methodologies for the calculation of emission reduction benefits for inclusion in the action plans.



ICAO "Capacity Building and Assistance" seminars for States' Action Plans

1 to 3 April 2014	• Mexico, Mexico
7 to 11 April 2014	• Lima, Peru
10 to 13 June 2014	• Yaoundé, Cameroon
16 to 19 June 2014	• Nairobi, Kenya
28 to 30 October 2014	• Kuala Lumpur, Malaysia
10 to 12 March 2015	• Dubai, UAE
18 to 20 March 2015	• Warsaw, Poland
18 Sept 2015	• Montreal, Canada (ICAO Headquarters)

Other ICAO Seminars

9 to 10 Sept 2014	• ICAO Green Technologies Seminar
16 to 17 Sept 2015	• ICAO Global Aviation Partnerships Seminar

As of April 2015, 77 States representing approximately 83 per cent of global international aviation RTK voluntarily submitted action plans to ICAO. The Secretariat continues to directly contact national focal points to assist in developing and updating action plans. It is expected that 15 new action plans will be submitted by the end of 2015, and additional 14 new action plans will be submitted prior to the next Assembly in 2016. Most of the States (70%) that already submitted an action plan in 2012 are expected to be updating it prior to the next Assembly in 2016.

States' Action Plans to reduce aviation CO_2 emissions

- Opportunity for States to identify measures to reduce emissions, and specific needs for assistance
- Allows future progress toward the global environmental goals to be assessed

http://www.icao.int/environmental-protection/Pages/ClimateChange_ActionPlan.aspx

Current status of Action Plans submitted

- 77 States, representing 83% of global international aviation traffic, submitted action plans

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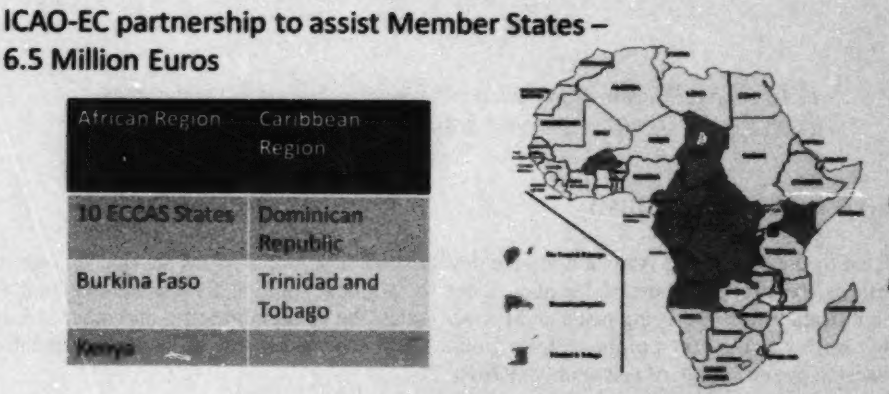
[2] http://www.icao.int/Meetings/EnvironmentalWorkshops/Pages/2014-Seminars.aspx

Assistance to States

As part of ICAO's efforts to provide further assistance to States and facilitate access to financing for the development and implementation of States' action plans, ICAO established partnerships with the European Commission (EC), as well as with the Global Environment Facility (GEF) and the United Nations Development Programme (UNDP).

The ICAO-EC joint assistance project, *Capacity Building for CO_2 Mitigation from International Aviation*, is a 6.5 million Euro project to assist fourteen States from Africa and the Caribbean in the development of their action plans; setting up of their aviation environmental systems; and implementation of measures to reduce aviation emissions. Following the kick-off seminars in the Dominican Republic in December 2014 and in Cameroon in February 2015, the national action plan teams have been established in all the selected States to start developing their action plans.



ICAO-EC partnership to assist Member States –
6.5 Million Euros

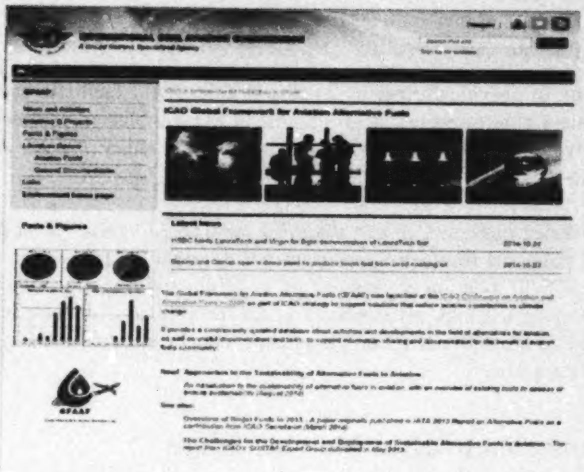
African Region	Caribbean Region
10 ECCAS States	Dominican Republic
Burkina Faso	Trinidad and Tobago
Kenya	

The ICAO-GEF-UNDP joint assistance project, *Transforming the Global Aviation Sector: Emission Reduction from International Aviation*, is a 2 million USD project, including the development of guidance and supporting mechanisms to assist the identification and implementation of measures to reduce aviation CO_2 emissions, and a practical pilot project in Jamaica consisting of the implementation of a measure that could be replicated in other States.

Sustainable Alternative Fuels for Aviation

ICAO has been at the forefront in promoting and facilitating the development and deployment of sustainable alternative fuels for aviation, including through information sharing on best practices among States and other stakeholders via the ICAO Global Framework for Aviation Alternative Fuels (GFAAF) website, and the promotion of global initiatives.

Technical work at ICAO on this subject focuses on a global projection of the future production of alternative jet fuels and of the associated range of potential emissions reductions. In this regard, the Alternative Fuels Task Force (AFTF) under the ICAO Committee on Aviation Environmental Protection (CAEP) has been working to develop a methodology for the assessment of full life-cycle CO_2 emissions, assess the future production of alternative jet fuel, and apply the life-cycle methodology to evaluate the associated emissions reductions in future.



ICAO Global Framework for Aviation Alternative Fuels (GFAAF) website
(http://www.icao.int/environmental-protection/GFAAF/Pages/default.aspx)

Global Market-based Measure (MBM)

The agreement of the 38th ICAO Assembly on the development of a global MBM scheme for international aviation, reflects the strong support of Member States for a global solution for the international aviation industry. Significant efforts are being made as Member States, the aviation industry and other stakeholders are working together to develop a proposal for a global MBM scheme capable of being implemented from 2020, for decision by the 39th ICAO Assembly in 2016.

Good progress is being achieved by the ICAO Council's Environment Advisory Group (EAG) with technical support provided by the Committee on Aviation Environmental Protection (CAEP), using a "Strawman" approach, which started with a simple and basic proposal for a global MBM scheme with a view to generating the discussion and analyses on advantages and disadvantages of design elements and allowing for the improvements of the Strawman.

As a means to ensure the full engagement of States and other stakeholders and widest possible range of inputs, ICAO conducted the first round of five regional seminars – MBM Global Aviation Dialogues (GLADs) from 9 to 28 April 2015. The material provided in the GLADs is made available on the ICAO website[3]. The summary of the GLADs is provided in **Appendix A**.

ICAO Global Aviation Partnerships on Emissions Reductions (E-GAP) Seminar

ICAO Global Aviation Partnerships on Emissions Reductions (E-GAP) Seminar[4] is being held in Montréal, Canada from 16 to 17 September 2015. The Seminar provides a forum to showcase the actions and results achieved in reducing emissions from international aviation through partnerships between ICAO, governments and international organizations.

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[3] http://www.icao.int/meetings/GLADs-2015/Pages/default.aspx

[4] http://www.icao.int/meetings/EGAP/

Such partnerships are enhancing environmental action by stakeholders, encouraging resource mobilization and facilitating further cooperation in new areas. The Seminar will focus on developments in aircraft technology and research programmes; recycling of aircraft; next generation air navigation and green operations; renewable energy and sustainable alternative fuels; financing for aviation environmental activities; and carbon markets.

The Seminar will also encourage dialogues to explore further opportunities for partnerships, and promote networking among stakeholders. During the Seminar, the E-GAP initiative will be launched to further strengthen partnerships and cooperation between ICAO and key stakeholders for reducing emissions from international aviation. The E-GAP initiative will be one of the core elements of the ICAO's input to the UNFCCC COP21 in Paris, France.

UNFCCC – CLIMATE FINANCE

One of the areas where international aviation was considered under the UNFCCC process is the issue of climate finance. The UNFCCC conferences adopted a series of decisions which included the work programme on long-term climate finance to further analyse options for the mobilization of USD 100 billion per year by 2020 from a wide variety of potential sources.

Some Parties expressed concern with the proposals to use international aviation as a potential source for mobilizing such revenue. Such proposals include the report of the World Bank (WB)/International Monetary Fund (IMF) under the G20 process in 2011, which explored global carbon charges of USD 25 per tonne of CO_2 emissions on international transport, which the report suggested could raise USD 12 billion per year by 2020 from international aviation.

The Negotiation text (document FCCC/ADP/2015/1) includes a proposal on the use of international aviation and maritime sectors as a source of financing for adaptation, and encouraging ICAO and IMO to develop a levy scheme to provide financing support for the Adaptation Fund (paragraph 116.5 of the Negotiating text).

It should be highlighted that in 2010, ICAO Member States adopted global aspirational goals for the international aviation sector of improving the sector's fuel efficiency by 2% per year and keeping its global CO_2 emissions from 2020 at the same level (carbon neutral growth from 2020). The achievement of the ICAO global aspirational goals requires adequate financial resources within the sector itself, enabling it to effectively respond to the global climate change challenge. It is of utmost importance that the development of a global MBM scheme for international aviation be treated as one element of a basket of mitigation measures to achieve the ICAO global aspirational goals, and not in isolation.

In this regard, the 38th Assembly urged that "ICAO and its Member States express a clear concern, through the UNFCCC process, on the use of international aviation as a potential source for the mobilization of revenue for climate finance to the other sectors, in order to ensure that international aviation would not be targeted as a source of such revenue in a disproportionate manner" (Assembly Resolution A38-18, paragraph 30). The Assembly also requested Member States to communicate and coordinate with their delegations of Parties to the UNFCCC process regarding developments on international aviation and climate change under ICAO.

The recent ICAO Council in March 2015 reiterated the need to act on the Assembly's requests above, and informed Member States to take appropriate action.

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APPENDIX A

Summary of Global Aviation Dialogues (GLADs)

1. Introduction

ICAO concluded its first round of Global Aviation Dialogues (GLADs) on market-based measures (MBMs) during April 2015. Two-day GLADs sessions were conducted in Lima, Peru (9 to 10 April), Nairobi, Kenya (14 to 15 April), Cairo, Egypt (20 to 21 April), Singapore (23 to 24 April) and Madrid, Spain (27 to 28 April).

Through the five GLADs conducted, ICAO reached 362 participants from 79 States (all 36 Council States plus 42 non-Council States) and 22 international organizations.

2. Organization and Format of GLADs

Each of the two-day GLADs was held in a unique format to facilitate the sharing of information and to encourage participant discussion.

Following an initial sequence of informative presentations that brought all participants to a common level of understanding on MBMs, participants were assigned to small discussion groups to undertake two thematic dialogues: one focused on questions related to design features of a global MBM scheme; and another focused on implementation challenges.

Each small group assigned a speaker from a State participant not represented on the Council, who successfully reported the group's summary to the plenary.

3. Summary of Dialogue Sessions

Main highlights for the dialogue session in the design of a global MBM included environmental integrity, the simplicity and cost-effectiveness of a global scheme, the need for differentiation without discrimination, and the goal of avoiding excessive cost or administrative burdens.

Regarding implementation challenges, States clearly requested more information, outreach and capacity building on a continuous basis. For the second round of GLADs, a concrete proposal for the global MBM scheme is essential.

4. Summary of Panel Discussions

The final session of the GLADs was an interactive panel discussion, formed by representatives from States, industry, environmental NGOs and financial institutions, where they exchanged views on various aspects of a global MBM, including on the carbon markets and availability of carbon credits for use by international aviation in the MBM scheme.

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APPENDIX B

ICAO Assembly Resolution A38-18: Consolidated statement of continuing ICAO policies and practices related to environmental protection – Climate change

Whereas ICAO and its member States recognize the critical importance of providing continuous leadership to international civil aviation in limiting or reducing its emissions that contribute to global climate change;

Reemphasizing the vital role which international aviation plays in global economic and social development and the need to ensure that international aviation continues to develop in a sustainable manner;

Whereas the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC) is to achieve stabilization of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system;

Whereas the Kyoto Protocol, which was adopted by the Conference of the Parties to the UNFCCC in December 1997 and entered into force on 16 February 2005, calls for developed countries (Annex I Parties) to pursue limitation or reduction of greenhouse gases from "aviation bunker fuels" (international aviation) working through ICAO (Article 2.2);

Acknowledging that international aviation emissions, currently accounting for less than 2 per cent of total global CO_2 emissions, are projected to grow as a result of the continued development of the sector;

Whereas a comprehensive assessment of aviation's impact on the atmosphere is contained in the special report on *Aviation and the Global Atmosphere*, published in 1999, which was prepared at ICAO's request by the Intergovernmental Panel on Climate Change (IPCC) in collaboration with the Scientific Assessment Panel to the Montreal Protocol on Substances that Deplete the Ozone Layer;

Whereas the IPCC special report recognized that the effects of some types of aircraft emissions are well understood, it revealed that the effects of others are not, and identified a number of key areas of scientific uncertainty that limit the ability to project aviation's full impacts on climate and ozone;

Whereas ICAO requested that the IPCC include an update of the main findings of the special report in its Fourth Assessment Report, published in 2007 and its Fifth Assessment Report to be published in 2014;

Noting the scientific view that the increase in global average temperature above pre-industrial levels ought not to exceed 2°C;

Acknowledging the principles and provisions on common but differentiated responsibilities and respective capabilities, and with developed countries taking the lead under the UNFCCC and the Kyoto Protocol;

Also acknowledging the principles of non-discrimination and equal and fair opportunities to develop international aviation set forth in the Chicago Convention;

Recognizing that this Resolution does not set a precedent for or prejudge the outcome of negotiations under the UNFCCC and its Kyoto Protocol nor represent the position of the Parties to the UNFCCC and its Kyoto Protocol;

Recognizing that the aspirational goal of 2 per cent annual fuel efficiency improvement is unlikely to deliver the level of reduction necessary to stabilize and then reduce aviation's absolute emissions contribution to climate change, and that goals of more ambition will need to be considered to deliver a sustainable path for aviation;

Noting that, to promote sustainable growth of aviation, a comprehensive approach, consisting of work on technology and standards, and on operational and market-based measures to reduce emissions is necessary;

Acknowledging the significant technological progress made in the aviation sector, with aircraft produced today being about 80 per cent more fuel efficient per passenger kilometre than in the 1960's;

Welcoming the agreement by the Committee on Aviation Environmental Protection (CAEP) of certification requirements for a global CO_2 Standard for aircraft;

Recognizing that air traffic management (ATM) measures under the ICAO's Global Air Navigation Plan contribute to enhanced operational efficiency and the reduction of aircraft CO_2 emissions;

Welcoming the adoption of the Aviation System Block Upgrades (ASBUs) strategy at the ICAO Twelfth Air Navigation Conference in November 2012;

Recalling that Assembly Resolution A37-19 requested the Council, with the support of member States, to undertake work to develop a framework for market-based measures (MBMs) in international aviation, including further elaboration of the guiding principles listed in the Annex to A37-19, for consideration by the 38th Session of the ICAO Assembly;

Recognizing the importance of avoiding a multiplicity of approaches for the design and implementation of MBM framework and MBM schemes;

Recalling that Assembly Resolution A37-19 requested the Council to explore the feasibility of a global MBM scheme to address emissions from international aviation;

Noting the decision of the Council on 9 November 2012, which recognized that the results of the qualitative and quantitative analysis of the three options for a global MBM scheme evaluated by the Secretariat with the support of the Experts on MBMs demonstrated that all three options were technically feasible and had the capacity to contribute to achieving ICAO's environmental goals, and that the Council agreed that further quantitative analysis of the three options needed to be undertaken to develop more robust and concrete conclusions;

Recognizing the potential desirability of a global MBM scheme in terms of providing an additional means of promoting achievement of the aspirational global goal referred to in paragraph 7;

Noting the support of the aviation industry for a single global carbon offsetting scheme, as opposed to a patchwork of State and regional MBMs, as a cost effective measure to complement a broader package of measures including technology, operations and infrastructure measures;

Noting that the Conference on Aviation and Alternative Fuels in November 2009 (CAAF/09) endorsed the use of sustainable alternative fuels for aviation, particularly the use of drop-in fuels in the short to mid-term, as an important means of reducing aviation emissions;

Also noting that the CAAF/09 established an ICAO Global Framework for Aviation Alternative Fuels (GFAAF);

Noting the progress achieved in proving the technological feasibility of drop-in sustainable alternative fuels for aviation and that such fuels will require the introduction of appropriate policies and incentives to create a long-term market perspective;

Acknowledging the need for such fuels to be developed and deployed in an economically feasible, socially and environmentally acceptable manner and the need for increased harmonization of the approaches to sustainability;

Noting that, consistent with Assembly Resolution A37-19, a substantial strategy for capacity building was undertaken by the Organization to assist the preparation and submission of States' action plans, including the holding of hands-on training workshops and the development of guidance material, an interactive web-interface and the ICAO Fuel Savings Estimation Tool (IFSET);

Welcoming that, as of 30 June 2013, 61 member States that represent 78.89 per cent of global international air traffic voluntarily prepared and submitted their action plans to ICAO;

Noting that the ICAO "Assistance for Action – Aviation and Climate Change" Seminar in October 2012 highlighted the active involvement of member States and international organizations in the activities related to States' action plans, explored possible sources of financial support for environmental action and provided an opportunity to share information and build partnerships in order to facilitate assistance identified by States for the preparation and implementation of their action plans;

Recognizing the different circumstances among States in their capacity to respond to the challenges associated with climate change and the need to provide necessary support, in particular to developing countries and States having particular needs;

Affirming that specific measures to assist developing States as well as to facilitate access to financial support, technology transfer and capacity building should be initiated as soon as possible;

Whereas the Kyoto Protocol provides for different flexible instruments (such as the Clean Development Mechanism — CDM) which would benefit projects involving developing States;

Affirming that addressing GHG emissions from international aviation requires the active engagement and cooperation of States and the industry, and *noting* the collective commitments announced by Airports Council International (ACI), Civil Air Navigation Services Organisation (CANSO), International Air Transport Association (IATA), International Business Aviation Council (IBAC) and International Coordinating Council of Aerospace Industries Associations (ICCAIA) on behalf of the international air transport industry, to continuously improve CO_2 efficiency by an average of 1.5 per cent per annum from 2009 until 2020, to achieve carbon neutral growth from 2020 and to reduce its carbon emissions by 50 per cent by 2050 compared to 2005 levels;

Recognizing the need to monitor and report the potential impacts of climate change on international aviation operations and related infrastructure; and

Recognizing the progress made by ICAO in its implementation of the Climate Neutral UN initiative and the significant support provided by ICAO to the initiative, in particular through the development of a common methodology for calculating GHG emissions from air travel;

The Assembly:

1. *Resolves* that this Resolution, together with Resolution A38-17: Consolidated statement of continuing ICAO policies and practices related to environmental protection - General provisions, noise and local air quality, supersede Resolutions A37-18 and A37-19 and constitute the consolidated statement of continuing ICAO policies and practices related to environmental protection;

2. *Requests* the Council to:

a) ensure that ICAO exercise continuous leadership on environmental issues relating to international civil aviation, including GHG emissions;

b) continue to study policy options to limit or reduce the environmental impact of aircraft engine emissions and to develop concrete proposals and provide advice as soon as possible to the Conference of the Parties of the UNFCCC, encompassing technical solutions and market-based measures, and taking into account potential implications of such measures for developing as well as developed countries; and

c) continue to cooperate with organizations involved in policy-making in this field, notably with the Conference of the Parties to the UNFCCC;

3. *Reiterates* that:

d) ICAO should continue to take initiatives to promote information on scientific understanding of aviation's impact and action undertaken to address aviation emissions and continue to provide the forum to facilitate discussions on solutions to address aviation emissions; and

e) emphasis should be on those policy options that will reduce aircraft engine emissions without negatively impacting the growth of air transport especially in developing economies;

4. *Reaffirms* that this Resolution does not set a precedent for or prejudge the outcome of negotiations under the UNFCCC and its Kyoto Protocol nor represent the position of the Parties to the UNFCCC and its Kyoto Protocol;

5. *Resolves* that States and relevant organizations will work through ICAO to achieve a global annual average fuel efficiency improvement of 2 per cent until 2020 and an aspirational global fuel efficiency improvement rate of 2 per cent per annum from 2021 to 2050, calculated on the basis of volume of fuel used per revenue tonne kilometre performed;

6. *Agrees* that the goals mentioned in paragraph 5 above would not attribute specific obligations to individual States, and the different circumstances, respective capabilities and contribution of developing and developed States to the concentration of aviation GHG emissions in the atmosphere will determine how each State may voluntarily contribute to achieving the global aspirational goals;

7. *Also resolves* that, without any attribution of specific obligations to individual States,-ICAO and its member States with relevant organizations will work together to strive to achieve a collective medium term global aspirational goal of keeping the global net carbon emissions from international aviation from 2020 at the same level, taking into account: the special circumstances and respective capabilities of States, in particular developing countries; the maturity of aviation markets; the sustainable growth of the international aviation industry; and that emissions may increase due to the expected growth in international air traffic until lower emitting technologies and fuels and other mitigating measures are developed and deployed;

8. *Recognizes* the many actions that ICAO member States have taken and intend to take in support of the achievement of the collective aspirational goals, including air traffic management modernization, acceleration of the use of fuel-efficient aircraft technologies, and the development and deployment of sustainable alternative fuels, and *encourages* further such efforts;

9. *Agrees* to review, at its 39th Session, the goal mentioned in paragraph 7 above in light of progress towards the goal, studies regarding the feasibility of achieving the goal, and relevant information from States;

10. *Requests* the Council to continue to explore the feasibility of a long term global aspirational goal for international aviation, through conducting detailed studies assessing the attainability and impacts of any goals proposed, including the impact on growth as well as costs in all countries, especially developing countries, for the progress of the work to be presented to the 39th Session of the ICAO Assembly. Assessment of long term goals should include information from member States on their experiences working towards the medium term goal.

11. *Further encourages* States to submit their voluntary action plans outlining their respective policies and actions, and annual reporting on international aviation CO_2 emissions to ICAO;

12. *Invites* those States that choose to prepare or update their action plans to submit them to ICAO as soon as possible preferably by the end of June 2015 and once every three years thereafter, in order that ICAO can continue to compile the information in relation to achieving the global aspirational goals, and the action plans should include information on the basket of measures considered by States, reflecting their respective national capacities and circumstances, information on the expected environmental benefits from the implementation of the measures chosen from the basket, and information on any specific assistance needs;

13. *Encourages* States that already submitted their action plans to share information contained in their action plans and build partnerships with other member States in order to support those States that have not prepared their action plans;

14. *Encourages* States to make their action plans available to the public, taking into account the commercial sensitivity of information contained in States' action plans;

15. *Requests* the Council to facilitate the dissemination of economic and technical studies and best practices related to aspirational goals and to continue to provide guidance and other technical assistance for the preparation and update of States' action plans prior to the end of June 2015, in order for States to conduct their necessary studies and to voluntarily submit their action plans to ICAO;

16. *Resolves* that States, when designing new and implementing existing MBMs for international aviation should:

a) engage in constructive bilateral and/or multilateral consultations and negotiations with other States to reach an agreement, and

b) grant exemptions for application of MBMs on routes to and from developing States whose share of international civil aviation activities is below the threshold of 1% of total revenue ton kilometres of international civil aviation activities, until the global scheme is implemented;

17. *Requests* the Council to review the *de minimis*, including the *de minimis* threshold of MBMs mentioned in paragraph 16 b) above, taking into account the specific circumstances of States and potential impacts on the international aviation industry and markets, and with regard to the guiding principles listed in the Annex, to be presented for consideration by the 39th Session of the Assembly in 2016;

18. *Decides* to develop a global MBM scheme for international aviation, taking into account the work called for in paragraph 19;

19. *Requests* the Council, with the support of member States, to:

a) finalize the work on the technical aspects, environmental and economic impacts and modalities of the possible options for a global MBM scheme, including on its feasibility and practicability, taking into account the need for development of international aviation, the proposal of the aviation industry and other international developments, as appropriate, and without prejudice to the negotiations under the UNFCCC;

b) organize seminars, workshops on a global scheme for international aviation participated by officials and experts of member States as well as relevant organizations;

c) identify the major issues and problems, including for member States, and make a recommendation on a global MBM scheme that appropriately addresses them and key design elements, including a means to take into account special circumstances and respective capabilities as provided for in paragraphs 20 to 24 below, and the mechanisms for the implementation of the scheme from 2020 as part of a basket of measures which also include technologies, operational improvements and sustainable alternative fuels to achieve ICAO's global aspirational goals; and

d) report the results of the work in sub-paragraphs a), b) and c) above, for decision by the 39th Session of the Assembly;

20. *Resolves* that an MBM should take into account the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion;

21. *Also resolves* that special circumstances and respective capabilities of developing States could be accommodated through *de minimis* exemptions from, or phased implementation for, the application of an MBM to particular routes or markets with low levels of international aviation activity, particularly those serving developing States;

22. *Also resolves* that, the administrative burden associated with the implementation of an MBM to States or aircraft operators with very low levels of international aviation activity should not exceed the benefits from their participation in the MBM, and that exemptions from the application of the MBM to such States or aircraft operators should be considered, while maintaining the environmental integrity of the MBM;

23. *Also resolves* that adjustments to MBM requirements for aircraft operators could be on the basis of fast growth, early action to improve fuel efficiency, and provisions for new entrants;

24. *Further resolves* that, to the extent that the implementation of an MBM generates revenues, it should be used in consistency with guiding principle n) in the Annex;

25. *Recognizes* that in the short term voluntary carbon offsetting schemes constitute a practical way to offset CO_2 emissions, and *invites* States to encourage their operators wishing to take early actions to use carbon offsetting, particularly through the use of credits generated from internationally recognized schemes such as the CDM;

26. *Requests* the Council to collect information on the volume of carbon offsets purchased in relation to air transport, including through States' action plans submitted to ICAO, and to continue to develop and disseminate best practices and tools, such as the ICAO Carbon Emissions Calculator, that will help harmonize the implementation of carbon offset programmes;

27. *Requests* the Council to maintain and enhance appropriate standard, methodologies and a mechanism to measure/estimate, monitor and verify global GHG emissions from international aviation, and States support the work of ICAO on measuring progress through the reporting of annual data on traffic, fuel consumption and CO_2 emissions;

28. *Requests* the Council to request States to continue to support the efforts of ICAO on enhancing the reliability of measuring/estimating global GHG emissions from international aviation;

29. *Requests* the Council to regularly report CO_2 emissions from international aviation to the UNFCCC, as part of its contribution to assessing progress made in the implementation actions in the sector based on information approved by its member States;

30. While recognizing that no effort should be spared to obtain means to support the reduction and stabilization of CO_2 emissions from all sources, *urges* that ICAO and its member States express a clear concern, through the UNFCCC process, on the use of international aviation as a potential source for the mobilization of revenue for climate finance to the other sectors, in order to ensure that international aviation would not be targeted as a source of such revenue in a disproportionate manner;

31. *Requests* the Council to:

a) continue to play a pivotal role in providing assistance to its member States through the dissemination of the latest information on best practices and the provision of guidance and other technical assistance to enhance capacity building and technology transfer, including through the ICAO Technical Cooperation Programme;

b) consolidate and build on the partnership with other international organizations to meet the assistance needs of ICAO's member States, including through their action plans, which will bring about reductions in international aviation emissions;

c) initiate work immediately and as a priority in order to develop a process and mechanisms to facilitate the provision of technical and financial assistance, as well as facilitate access to existing and new financial resources, technology transfer and capacity building, to developing countries and report on results achieved as well as further recommendations, preliminarily by the end of 2015 and at the 39th Session of the Assembly; and

d) continue to initiate specific measures to assist developing States as well as to facilitate access to financial resources, technology transfer and capacity building;

32. *Requests* States to:

a) promote scientific research aimed at continuing to address the uncertainties identified in the IPCC special report on Aviation and the Global Atmosphere and in the Fourth Assessment report;

b) ensure that future international assessments of climate change undertaken by IPCC and other relevant United Nations bodies include updated information, if any, on aircraft-induced effects on the atmosphere;

c) consider policies to encourage the introduction of more fuel efficient aircraft in the market;

d) accelerate investments on research and development to bring to market even more efficient technology by 2020;

e) accelerate the development and implementation of fuel efficient routings and procedures to reduce aviation emissions;

f) accelerate efforts to achieve environmental benefits through the application of technologies that improve the efficiency of air navigation and work with ICAO to bring these benefits to all regions and States, taking into account the Aviation System Block Upgrades (ASBUs) strategy;

g) reduce legal, security, economic and other institutional barriers to enable implementation of the new ATM operating concepts for the environmentally efficient use of airspace;

h) set a coordinated approach in their national administrations in order to develop policy actions to accelerate the appropriate development, deployment and use of sustainable alternative fuels for aviation, in accordance with their national circumstances;

i) consider measures to support research and development as well as processing technology and feedstock production in order to decrease costs and support scale-up of sustainable production pathways up to commercial scale, taking into account the sustainable development of States;

j) recognize existing approaches to assess the sustainability of all alternative fuels in general, including those for use in aviation which should:

    1) achieve net GHG emissions reduction on a life cycle basis;

    2) respect the areas of high importance for biodiversity, conservation and benefits for people from ecosystems, in accordance with international and national regulations;

    3) contribute to local social and economic development, and competition with food and water should be avoided;

k) adopt measures to ensure the sustainability of alternative fuels for aviation, building on existing approaches or combination of approaches, and monitor, at a national level, the sustainability of the production of alternative fuels for aviation;

l) work together through ICAO and other relevant international bodies, to exchange information and best practices, including on the sustainability of alternative fuels for aviation;

33. *Requests* the Council to:

a) continue to develop and keep up-to-date the guidance for member States on the application of policies and measures aimed at reducing or limiting the environmental impact of emissions from international aviation, and conduct further studies with respect to mitigating the impact of international aviation on climate change;

b) encourage States to cooperate in the development of predictive analytical models for the assessment of aviation impacts;

c) continue evaluating the costs and benefits of the various measures, including existing measures, with the goal of addressing aircraft engine emissions in the most cost-effective manner, taking into account the interests of all parties concerned, including potential impacts on developing world;

d) provide the necessary guidance and direction to ICAO's Regional Offices to assist member States with studies, evaluations and development of procedures, in collaboration with other States in the region, to limit or reduce GHG emissions on a global basis and work together collaboratively to optimize the environmental benefits that can be achieved through their various programmes;

e) develop a global CO_2 Standard for aircraft aiming to finalize analyses by late 2015 and adoption by the Council in 2016;

f) further elaborate on relevant fuel efficiency metrics, including for international business aviation, and develop and update medium and long term technological and operational goals for aircraft fuel burn;

g) maintain and update guidance on ATM improvements and other operational measures to reduce international aviation emissions;

h) implement an emphasis on increasing fuel efficiency in all aspects of the ICAO's Global Air Navigation Plan, and encourage States and stakeholders to develop air traffic management that optimize environmental benefits and to promote and share best practices applied at airports in reducing the adverse effects of GHG emissions of civil aviation;

i) continue to develop and update the necessary tools and guidance to assess the benefits associated with ATM improvements, and assess the environmental benefits associated with the implementation of the Aviation System Block Upgrades (ASBUs) strategy;

j) encourage member States and invite industry, financial institutions and other international organizations to actively participate in exchange of information and best practices and in further work under ICAO on sustainable alternative fuels for aviation;

k) continue to maintain the ICAO Global Framework for Aviation Alternative Fuels (GFAAF);

l) collect information on progress of alternative fuels in aviation, including through States' action plans, to give a global view of the future use of alternative jet fuels and to account for changes in life cycle GHG emissions in order to assess progress toward achieving global aspirational goals;

m) work with financial institutions to facilitate access to financing infrastructure development projects dedicated to sustainable aviation alternative fuels and incentives to overcome initial market hurdles;

n) monitor and disseminate relevant information on the potential impacts of climate change on international aviation operations and related infrastructure, in cooperation with other relevant international organizations and the industry; and

o) continue to cooperate with the Climate Neutral UN initiative, remain at the forefront of developing methods and tools for quantifying aviation's GHG emissions with respect to the initiative, and further develop and implement the strategy for reducing GHG emissions and enhancing in-house sustainability management practices of the Organization.

Annex

The guiding principles for the design and implementation of market-based measures (MBMs) for international aviation:

a) MBMs should support sustainable development of the international aviation sector;

b) MBMs should support the mitigation of GHG emissions from international aviation;

c) MBMs should contribute towards achieving global aspirational goals;

d) MBMs should be transparent and administratively simple;

e) MBMs should be cost-effective;

f) MBMs should not be duplicative and international aviation CO_2 emissions should be accounted for only once;

g) MBMs should minimize carbon leakage and market distortions;

h) MBMs should ensure the fair treatment of the international aviation sector in relation to other sectors;

i) MBMs should recognize past and future achievements and investments in aviation fuel efficiency and in other measures to reduce aviation emissions;

j) MBMs should not impose inappropriate economic burden on international aviation;

k) MBMs should facilitate appropriate access to all carbon markets;

l) MBMs should be assessed in relation to various measures on the basis of performance measured in terms of CO_2 emissions reductions or avoidance, where appropriate;

m) MBMs should include *de minimis* provisions;

n) where revenues are generated from MBMs, it is strongly recommended that they should be applied in the first instance to mitigating the environmental impact of aircraft engine emissions, including mitigation and adaptation, as well as assistance to and support for developing States;

o) where emissions reductions are achieved through MBMs, they should be identified in States' emissions reporting; and

p) MBMs should take into account the principle of common but differentiated responsibilities and respective capabilities, the special circumstances and respective capabilities, and the principle of non-discrimination and equal and fair opportunities.

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RESERVATIONS TO RESOLUTION A38-18

The following reservations were recorded by the States indicated below[5] in respect of specific provisions of Resolution A38-18 and are available on ICAO's website for the 38th Session of the Assembly:

Preambular paragraph 10	Australia
Paragraph 6	Australia
Paragraph 7	Argentina, Australia, Bahrain, Brazil, China, Cuba, India, Lithuania (on behalf of the 28 Member States of the European Union (EU[6]) and 14 other Member States of the European Civil Aviation Conference (ECAC[7])), the Russian Federation, Saudi Arabia and Venezuela (Bolivarian Republic of)
Paragraph 16	Lithuania (on behalf of the 28 Member States of the EU and 14 other Member States of ECAC) and Singapore
Paragraph 16 b)	Afghanistan, Australia, Canada, Japan, New Zealand, Qatar, the United Arab Emirates and the United States
Paragraph 20	Australia
Paragraph 21	Australia
Annex Guiding principle p)	Australia, Canada, Japan, Lithuania (on behalf of the 28 Member States of the EU and 14 other Member States of ECAC), New Zealand, the Republic of Korea and the United States

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[5] During the Sixth Plenary Meeting on 4 October 2013, the Islamic Republic of Iran made a reservation to paragraph 16 a) and b) but withdrew it by an e-mail dated 4 October 2013 to the Secretary General.

[6] Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom

[7] Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, the Republic of Moldova, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, and The former Yugoslav Republic of Macedonia

Paper no. 2: International Maritime Organization

Note by the International Maritime Organization to the forty-second session of the Subsidiary Body for Scientific and Technological Advice (SBSTA 42)
Bonn, Germany, 1 to 11 June 2015

Agenda item 8(c)
Emissions from fuel used for international aviation and maritime transport

UPDATE ON IMO'S WORK TO ADDRESS EMISSIONS FROM FUEL USED FOR INTERNATIONAL SHIPPING

SUMMARY

IMO's Marine Environment Protection Committee (MEPC) has for some time now been considering, as an integral part of its agenda, actions to address greenhouse gas (GHG) emission from ships engaged in international trade. It met for its 68th session (MEPC 68) from 11 to 15 May 2015, at IMO Headquarters in London, with the participation of 99 Member States, 1 United Nations body, 5 intergovernmental organizations and 52 non-governmental organizations.

MEPC 68 continued its work on further developing guidelines to support the uniform implementation of the regulations on energy-efficiency for ships that entered into force on 1 January 2013 under MARPOL Annex VI. Furthermore, progress was made on the development of text to be the full language for a data collection system for fuel consumption of ships that can be readily used for voluntary/mandatory application of the system.

IMO is also continuing its efforts with regard to technical co-operation and capacity-building to ensure effective implementation and enforcement of the aforementioned new regulations worldwide and, importantly, activities to support the implementation of resolution MEPC.229(65) on *Promotion of technical co-operation and transfer of technology relating to the improvement of energy efficiency of ships.*

Introduction

1 International shipping plays an essential role in the facilitation of world trade as the most cost-effective and energy-efficient mode of mass cargo transport, making a vital contribution to international trade and being a key pillar of the development of a sustainable global economy.

2 IMO was established by Governments as a specialized agency under the United Nations to provide the machinery for intergovernmental cooperation in the field of regulation of ships engaged in international trade. IMO is responsible for the global regulation of all aspects of international shipping and has a key role in ensuring that lives at sea are not put at risk, including security of shipping, and that the environment is not polluted by ships' operations – as summed up in IMO's mission statement: **Safe, secure and efficient shipping on clean oceans.**

3 The mandatory energy efficiency requirements for international shipping have now been in force for over two years. Data presented to MEPC 68 clearly identifies the improvements made,

significant in many cases, in the energy efficiency of ships being designed and delivered today. This is a significant success story and once again demonstrates the IMO's important role as the global standard setter for international shipping. However, the complexity of optimizing the energy efficiency of existing ships requires that any future action taken is done so following the analysis of robust data.

4 This document provides an update to previous submissions by IMO to SBSTA including document FCCC/SBSTA/2014/MISC.9.

Work on control of GHG emissions from international shipping

5 Measures to improve energy efficiency of international shipping were adopted by Parties to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) at MEPC 62 in July 2011 and entered into force on 1 January 2013. The *Regulations for energy efficiency of ships* apply to internationally trading ships of 400 gross tonnage and above, and make mandatory the:

.1 Energy Efficiency Design Index (EEDI) for new ships; and

.2 Ship Energy Efficiency Management Plan (SEEMP) for all ships.

6 The EEDI is a non-prescriptive, performance-based mechanism that leaves the choice of technologies to use in a specific ship design to the industry. So long as the required energy-efficiency level is attained, ship designers and builders are free to use the most cost-efficient solutions for the ship to comply with the regulations.

7 All ships of 400 gross tonnage and above engaged in international trade are required to implement and maintain a SEEMP which establishes a mechanism for operators to improve the energy efficiency of ships. This should be achieved by monitoring the energy efficiency performance of a ship's transportation work and at regular intervals considering new technologies and practices to improve energy efficiency.

8 MEPC 68 continued its work on further developing guidelines to support the uniform implementation of the regulations on energy-efficiency for ships and took the following actions:

.1 adopted amendments to the 2014 Guidelines on survey and certification of the EEDI, updating the previous version to include, for example, the latest ISO standard regarding sea trial speed analysis;

.2 adopted amendments to the 2013 Interim Guidelines for determining minimum propulsion power to maintain the manoeuvrability of ships in adverse conditions, as amended, to revise the level 1 power lines calculation assessment; and

.3 endorsed the progress report of the correspondence group established to review the status of technological developments relevant to implementing phase 2 of the EEDI regulatory framework that starts on 1 January 2020. Regulation 21.6 of MARPOL Annex VI requires, at the beginning of phase 1, the IMO to "review the status of technological developments and, if proven necessary, amend the time periods, the EEDI reference line parameters for relevant ship types and reduction rates set out in this regulation".

Third IMO GHG Study 2014

9 MEPC 67 approved the Third IMO GHG Study 2014, providing updated estimates for GHG emissions from ships. According to current estimates presented in this study, international shipping emitted 796 million tonnes of CO_2 in 2012, which accounts for no more than about 2.2% of the total emission volume for that year. By contrast, in 2007, before the global economic downturn, international shipping is estimated to have emitted 885 million tonnes of CO_2 which represented 2.8% of the global emissions of CO_2 for that year. These percentages are all the more significant when considering that shipping is the principal carrier of world trade, carrying as much as 90% by volume and therefore providing a vital service to global economic development and prosperity.

10 These updated emissions estimates are considered necessary, in general, to provide a better foundation for future work by IMO to address GHG emissions from international shipping especially as the Business as Usual scenarios, depending on future economic and energy developments, forecast a growth in CO_2 emissions for international maritime transport of between 50% to 250% in the period up to 2050. Sea transport is fuel-efficient and without these updated figures it would be difficult to provide a meaningful baseline to illustrate the steadily on-going improvement in fuel efficiency due to improved hull design, more effective diesel engines and propulsion systems and more effective utilization of individual ships resulting from the introduction of mandatory technical and operational measures.

11 The executive summary and the full report of the Third IMO GHG Study 2014 have now been published and are available on the IMO website:
http://www.imo.org/OurWork/Environment/PollutionPrevention/AirPollution/Pages/Greenhouse-Gas-Studies-2014.aspx

Further technical and operational measures to enhance the energy efficiency of ships

12 MEPC 68 considered work undertaken by the intersessional Correspondence Group on Further technical and operational measures for enhancing energy efficiency. As instructed by MEPC 67 (October 2014), the correspondence group developed a proposed text for the full language of the data collection system for fuel consumption that can be readily used for voluntary or mandatory application of the system.

13 MEPC 68, noting that the full language had to be further developed, did not take a decision at this stage as to whether the data collection system should be voluntary or mandatory and agreed that when this is decided, the appropriate structure and language will be used.

14 MEPC 68 agreed that the development of a data collection system for ships should follow a three step approach: data collection, data analysis, followed by decision-making on what further measures, if any, are required.

15 MEPC 68 noted that one purpose of the data collection system was to analyze energy efficiency and that for this analysis to be effective some transport work data needs to be included. Therefore, work at MEPC 68 primarily focused on the development of the full language for a data collection system for fuel consumption and consideration was given to transport work and/or other proxies for inclusion in the data collection system.

16 In this regard, MEPC 68 agreed that data collected by the IMO, particularly that related to transport work, needs to be confidential and not publicly available, and that there is a need to address resulting administrative burdens, impact on industry and the variables that influence energy efficiency.

17 MEPC 68 established a Working Group on Further technical and operational measures for enhancing energy efficiency and instructed it to further develop the full language for the data collection system for fuel consumption, taking into consideration additional issues identified by the correspondence group such as:

.1 transfer of ship's flag State or ownership;

.2 data to be submitted to the flag State and by whom;

.3 whether or not issues like survey and port State control should be included in the text itself or form part of the guidelines; and

.4 need for clarity on which entity is responsible for reporting the data.

18 MEPC 68 approved the working group's report (MEPC 68/WP.10) in general and, inter alia, agreed on the text as set out in the annex to the report for its further development to be the full language for the data collection system for fuel consumption of ships that can be readily used for voluntary/mandatory application of the system.

19 Noting that further work should be undertaken intersessionally, MEPC 68 agreed to establish, subject to endorsement by the IMO Council in July, an intersessional working group and instructed it to further consider transport work and/or proxies for inclusion in the data collection system; further consider the issue of confidentiality; and consider the development of guidelines identified in the text. The group will report to MEPC 69, expected to be held in April 2016.

GHG reduction target for international shipping

20 MEPC 68 considered a document by the Marshall Islands (MEPC 68/5/1) providing justification for and requesting the MEPC to undertake the work necessary to establish a GHG emission reduction target for international shipping consistent with keeping global warming below 1.5°C, and to agree the measures necessary to reach that target.

21 In summarizing the views expressed and conclusions thereof, MEPC 68:

.1 expressed gratitude to the Marshall Islands for the submission of document MEPC 68/5/1 and the information therein acknowledging and recognizing the importance of the issue raised;

.2 recognized the measures already adopted by the IMO in relation to the reduction of emissions from ships, also recognizing that more could be done;

.3 was of the opinion that current work should continue to focus on further reduction of emissions from ships, particularly through the finalization of a data collection system;

.4 considered the issues raised by the Marshall Islands could be further addressed at a future session of the MEPC, acknowledging the need to move forward cautiously; and

.5 looked forward to a successful meeting of UNFCCC COP 21 in Paris later this year.

Technical co-operation and transfer of technology

22 Regulation 23 (Promotion of technical co-operation and transfer of technology relating to the improvement of energy efficiency of ships) of chapter 4 of MARPOL Annex VI requires Administrations, in co-operation with the IMO and other international bodies, to promote and provide, as appropriate, support directly or through IMO to Member States, especially developing States that request technical assistance. It also requires the Administration of a Party to MARPOL Annex VI to co-operate actively with other Parties, subject to its national laws, regulations and policies, to promote the development and transfer of technology and exchange of information to States which request technical assistance, particularly developing States.

23 Linked to the implementation of energy efficiency measures, MEPC 65 (May 2013) adopted resolution MEPC.229(65) on *Promotion of technical co-operation and transfer of technology relating to the improvement of energy efficiency of ships*, which, among other things, requests the IMO, through its various programmes, to provide technical assistance to Member States to enable cooperation in the transfer of energy efficient technologies to developing countries in particular; and further assist in the sourcing of funding for capacity building and support to States, in particular developing States, which have requested technology transfer.

24 MEPC 66 (April 2014) discussed the implementation of resolution MEPC.229(65) and established, in accordance with the resolution, an Ad Hoc Expert Working Group on Facilitation of Transfer of Technology for Ships (TT-EG). The TT-EG, during its first meeting, agreed on the methodology for conducting its work, as well as a work plan which was endorsed by the MEPC.

25 This work plan envisages: 1) assessing the potential implications and impacts of the implementation of the energy efficiency regulations in chapter 4 of MARPOL Annex VI, in particular on developing States, as a means to identify their technology transfer and financial needs; 2) identifying and creating an inventory of energy efficiency technologies for ships; 3) identifying barriers to transfer of technology, in particular to developing States, including associated costs, and possible sources of funding; and 4) making recommendations, including the development of a model agreement enabling the transfer of financial and technological resources and capacity building between Parties, for the implementation of the energy efficiency regulations.

26 MEPC 68 considered document MEPC 68/3/1 (Chairman of the TT-EG), providing a progress report on the work carried out to date by the TT-EG, and noted that full reports on the first three of the four tasks identified in the group's work plan were provided and that a complete report of all four tasks would be provided to MEPC 69. In this regard, MEPC 68 noted that the holding of the TT-EG's fourth meeting is tentatively scheduled for the end of September 2015.

27 Several delegations expressed their appreciation for the progress made to date by the group, noting in particular the usefulness of relevant regional workshops that had taken place, as a means to increase awareness of technology transfer in the context of energy efficiency of ships.

28 The delegation of Singapore informed MEPC 68 of a forthcoming international Conference on Maritime Technology Transfer and Capacity Building, to be held in Singapore on 28 and 29 September 2015, which is being organized in direct support of the work carried out by the MEPC and the TT-EG. MEPC 68 noted that the aim of the Conference, jointly organized by Singapore and IMO, was to generate a greater momentum towards more energy-efficient and low-carbon shipping through technology transfer; and that the Conference would provide a platform for the international shipping community to discuss, exchange ideas and identify priority areas on facilitating maritime technology transfer.

Technical cooperation activities

29 To ensure effective implementation and enforcement of the new energy efficiency regulations worldwide, IMO has also been focusing its efforts on technical co-operation and capacity building, and has been undertaking a series of regional and national workshops on implementation of the measures to address emissions from fuel used by international shipping. Under the Integrated Technical Co-operation Programme (ITCP) of IMO, further capacity-building activities are currently planned in 2015, in order to sustain the level of technical cooperation interventions in various regions for the effective implementation and enforcement of energy efficiency measures for ships.

30 Furthermore, with financial support from the Global Environment Facility (GEF), UNDP and IMO are cooperating in a global effort to transform the shipping industry towards a lower carbon future, through a project entitled *"Transforming the global maritime transport industry towards a low carbon future through improved energy efficiency"* (GloMEEP). Having received the support and commitment of ten Lead Pilot Countries, this two year global project will assist developing countries in the implementation of the energy efficiency measures adopted by IMO.

Summary

31 International maritime transport is the most energy efficient mode of mass transport. A global approach for further improvements in energy efficiency and GHG emission reduction is considered necessary as sea transport is predicted to grow significantly in the coming years in line with expected future growth in world trade.

32 IMO continues to develop its adopted framework of technical and operational measures that now serves as a mandatory performance standard for increased energy efficiency in international shipping. The framework builds on IMO's enforcement and control provisions (flag State implementation and port State control), and provides a suite of comprehensive technical guidelines for their effective implementation.

33 IMO, as the global regulator of international shipping, will continue its endeavours to reduce environmental impacts from international maritime transport, a vital industry to world trade and sustainable development, and keep relevant bodies of the UNFCCC informed of its progress

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